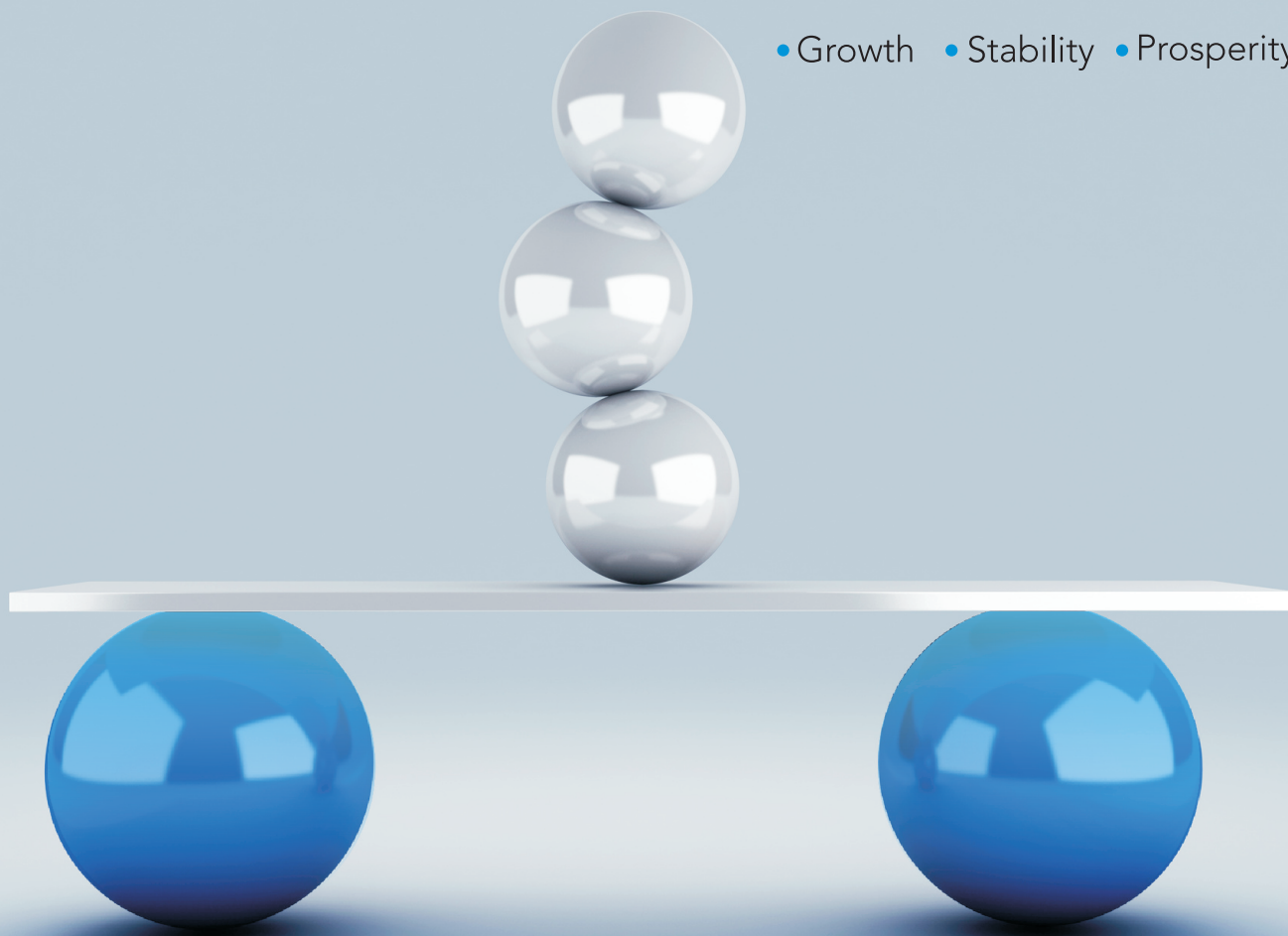


• Growth • Stability • Prosperity



Annual Report & Accounts **2013**



LASACO
ASSURANCE PLC
RC 31126

...building enduring stability and prosperity



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Our Values

Excellence

Professionalism

Integrity

Customer Focus

Trust

Accountability

Creativity

Teamwork

OUR VISION

To be a market leader in Insurance and Financial Services in Nigeria, creating and sustaining an exceptional brand and providing long term value to our Stakeholders.

MISSION STATEMENT

We are committed to be the Insurance and Financial Services Company of choice in Nigeria, providing Products and Services of Superior Quality, using modern tools and a well motivated workforce to create long term value for all our Stakeholders.

OUR STRATEGY

To be a Strong, Efficient, Cost effective and transparent financial services and solutions Provider, investing in business and market segments that consistently offer profitable growth, increase return on our capital, and sustain long term shareholders' value.

QUALITY POLICY STATEMENT

LASACO Assurance Plc is committed to delivering Insurance and Financial Services Of Superior Quality, surpassing customers expectations and ensuring strict compliance with regulatory/statutory requirements.

We are committed to continually improving the effectiveness of our Quality Management System.

We establish measurable goals and objectives at Departmental levels which we review as the need arises ensuring timely, effective implementation of company strategy.

CORPORATE INFORMATION

| | |
|-----------------------------------|---|
| Engineer Ashim Adebowale Oyekan | - Acting Chairman |
| Dr. (Mrs) 'Toyin Adebola Phillips | - Chairman, Finance, Risk and General Purposes Committee |
| Mrs. Aduke Modupeolu Thorpe | - Chairman, Establishment and Corporate Governance Committee |
| Chief Micheal Segun Abraham | - Member, Finance, Risk and General Purposes Committee |
| Ms. Kike Kasim | - Member, Finance, Risk and General Purpose Committee |
| Mr. Olusola Olatayo Ladipo-Ajayi | - Group Managing Director/CEO |
| Mr. Babajide Wright | - Executive Director |

GROUP SECRETARY/LEGAL ADVISER

Morayo Akinkunmi LLB (Hons), BL, LLM

REGISTERED OFFICE/HEAD OFFICE

Plot 16, ACME Road
 Ogba Industrial Estate
 Ikeja
 Lagos State.
 Tel: (234) 01 – 2120557
 E-mail: info@lasacoassurance.com
 Website: www.lasacoassurance.com
 Incorporation Certificate:
 RC 31126 of 20th December, 1979

BANKERS

Skye Bank Plc
 First Bank of Nigeria Plc
 Guaranty Trust Bank Plc
 Ecobank Nigeria Ltd
 United Bank for Africa Plc

AUDITORS

Abayomi – Dosunmu & Co.
 (Chartered Accountants)
 38, Macarthy Street
 Onikan, Lagos.
 Tel: 234-1-8533018, 8978563

REGISTRARS

Mainstreet Bank Registrars Limited
 2A, Gbagada Expressway, Anthony, Lagos.
 Tel: 012799133-4
 E-mail: afribankregistrar@yahoo.com
 Contact person: Mrs I. Udoka
 Mobile No: 08023010676

INVESTORS/SHAREHOLDERS RELATIONS:

Mrs. Morayo Akinkunmi (Mobile 08028863548)
 Mrs. Biodun Ajanaku (Mobile 08023346084)

BRANCH NETWORK

AGM (MARKETING)

HEAD OFFICE

Mrs. Folake Ajayi
 Mobile No: 08023346081

PUBLIC SECTOR HEAD

HEAD OFFICE

Mrs. Ibironke Babaita
 Mobile No: 08037228770

ALAUSA BRANCH

Lagos State Government
 Secretariat Complex, Alausa
 Branch Head: Mrs. Bunmi Taiwo
 Mobile No: 08023279241

REGIONAL HEAD

(LAGOS/SOUTH - WEST)

Mr. Akintunde Akinyanju
 Mobile No: 08034103777

LAGOS CITY BRANCH

62/64 Campbell Street, Lagos Island.
 Branch Manager: Mrs. Moji Olayiwola
 Mobile No: 08085729898

APAPA BRANCH

23/27, Wharf Road, Apapa, Lagos
 Branch Manager:
 Mr. Taiwo Akingbagbohun
 Mobile No: 08023187629

IBADAN BRANCH

40 Ring Road, Aje House,
 South West, Ibadan,
 Oyo State.
 Branch Manager: Mr. Idowu Adeyemo
 Tel: 08187193649

ABEOKUTA BRANCH

Majek Kembo House
 24, Lalubu Street,
 Oke - Ilewo, Ibara Abeokuta,
 Ogun State
 Branch Manager:
 Mr. Femi Dankuwo
 Tel: 039 - 774738
 Mobile No: 08062880392

BENIN BRANCH

90, Akpakpava Street, 2nd floor
 AIBANGBEE House,
 beside Zenith Bank, Benin City.
 Branch Manager:
 Mr. Oluwaseun Sangobiya
 Tel: 052 - 252580
 Mobile No: 07095430730,
 08038361816, 08056714920

ILORIN BRANCH

19, Unity Road
 Ilorin, Kwara State
 Branch Manager:
 Mr. Lukmon Aliu
 Mobile No:
 08023531431, 08090757373

AKURE BRANCH

Recabil House
 47, Oba Adesina Road, Akure
 Branch Manager:
 Mr. Kunle Aladegbaiye
 Mobile No: 08034958562

OSHOGBO BRANCH

Jesus Court Complex
 7, Isiaka Adeleke Road
 Alekuwodo Oke - Fia
 Oshogbo, Osun State
 Branch Manager:
 Mr. Kayode Okeremi
 Mobile No:
 08069135662; 08072535999

HEAD, SOUTH/ SOUTH REGION

Regional Head: Mr. Toyin Iriabe
 Mobile No: 08064348913

PORT HARCOURT BRANCH

200, Aba Road, Waterline
 Bus Stop, Port - Harcourt.
 Tel: 084 - 238404, 084 - 237487
 Branch Manager: Mrs. Toyin Iriabe
 Mobile No: 08064348913

CALABAR BRANCH

101, Ndidem Ising Iso
 (Marian) Road,
 Calabar,
 Cross River State.
 Branch Manager:
 Mr. Lanre Fashola
 Mobile No: 08093581471

FCT (NORTHERN REGION)

SNR. MGR. FCT/NORTHERN REGION
 Mr. Kayode Ogundipe
 Mobile No: 08039583764

ABUJA BRANCH

ITF House
 6, Adetokunbo Ademola Crescent,
 Maitama, Abuja
 Tel: 09 - 5237163, 09 - 5232131
 Branch Head:
 Mr. Adekunle Hamza
 Mobile No: 08055065371

WUSE BRANCH

Machima Plaza
 Plot 516, Mambolo Close,
 Zone 2, Wuse, Abuja.
 Branch Head:
 Mrs. Susan O. Saiyepa
 Mobile No: 08034751986

KANO BRANCH

Union Bank Building,
 37, Niger Street, Kano,
 Kano State.
 Tel: 064 - 640068
 Branch Manager:
 Mr. Sule Aliu
 Mobile No: 08037267104

KADUNA BRANCH

Hamza Zayad House Road
 NNLC Building
 4, Muhammad Buhari /
 Ahmadu Bello way,
 Kaduna Branch Manager:
 Mr. Kayode Ogundipe
 Mobile No: 08039583764

CORPORATE PROFILE

LASACO Assurance Plc (LASACO) was incorporated on 20th of December 1979 under the Companies Decree of 1968. The Company, then known as Lagos State Assurance Company Limited obtained License as an Insurer on 7th July 1980 and commenced business operations on 1st of August 1980.

With the vast opportunities presented by increased capitalization for business expansion and growth, the Company became a Public Liability Company in 1991 when its Shares were admitted for the first time to the Nigerian Stock Exchange (NSE) through listing by Introduction. Now in its third decade, LASACO has grown considerably in size, business coverage, profits, capital base and assets with its operations spanning all classes of the Insurance and Special Risks business, high impact financial services and Real Estate. The Company's businesses are conducted through a network of fifteen regional and branch offices spread across Nigeria, administered by well qualified, experienced and dedicated personnel.

Following our successful recapitalization in 2007, the Company's total assets increased to N8,918,021,000 with a combined authorized Group Share Capital in excess of N5billion and a paid-up share capital of N3.6billion.

LASACO's business portfolio currently includes leadership and significant share of key Federal and State Governments Insurance businesses, multinational and private companies underwriting businesses in major sectors of the economy, from heavy Engineering, and Construction, Banking and Finance, Manufacturing, Agriculture, Tourism, Life Covers to the high-tech capital intensive, special risks areas of Oil and Gas, and Aerospace. LASACO's business interests also include Real Estate, and through its various non-core business investments, the Company now holds Shares in many blue chip enterprises.

LASACO's improved performance over the last five years and high prospects projected for the future have been driven by the various transformational and growth changes implemented during the period and, which resulted in significant changes to our Organizational Structure and dynamics. Our marketing effort is through a wide branch structure organized on a regional basis for effective coverage of the entire country:

- South West Region
- South/South Region
- FCT/Northern Region
- Public Sector

These changes were also supported by various capacity upgrades, including strong, efficient procedures and policies introduced beginning from 2006. They have enhanced our operations as well as improved our performance, growth and profitability. Recent capacity-builders and performance-enhancers include the new robust technology and systems solutions platforms, {the Insurance Enterprise System, (IES)} installed in 2008/2009. IES has significantly upscaled the quality of our service delivery; our internet online and internal transactional services; considerably reduce service turnaround times, manpower and operating costs; and vastly improve customer-company interface and branch network – head office operations/integration. Along with the systems upgrade, we have also introduced a new organizational structure, reporting lines, support services and best practice models in all areas of our business.

LASACO Group consist of :

- LASACO Assurance Plc (our general, special risks insurance and asset management company);
- LASACO Life Assurance Company Limited;

each with its own separate Board of Directors, Principal Officers, Management, operations, reporting lines and controls. The affairs, activities and financial reporting of the new LASACO Group has, with effect from year 2009 financial year, been on the basis of group consolidation accounting principles and procedures: LASACO Assurance Plc ("the Company") and the subsidiary companies ("the Group").

The LASACO Group is now embarking upon three major programmes to boost the Group's growth, performance and transformation in line with our Vision and Strategic goal to build an enduring wealth platform for the Group: recapitalization and expansion by Mergers & Acquisition, new-level branding and world-class quality certification and financial system rating.

FINANCIAL HIGHLIGHTS

| | Group | | Company | | Group | Company |
|--|--------------|--------------|----------------|--------------|---------------|----------------|
| | 2013 | 2012 | 2013 | 2012 | Growth | Growth |
| | N'000 | N'000 | N'000 | N'000 | % | % |

MAJOR STATEMENT OF FINANCIAL POSITION ITEMS

| | | | | | | |
|-----------------------|------------|------------|------------|-----------|----|----|
| Total assets | 13,412,738 | 11,838,260 | 11,193,206 | 9,792,201 | 13 | 14 |
| Shareholders' funds | 5,875,918 | 5,597,356 | 5,798,920 | 5,426,888 | 5 | 7 |
| Financial assets | 2,624,118 | 1,633,253 | 1,954,094 | 1,088,655 | 61 | 79 |
| Investment properties | 2,755,740 | 2,461,000 | 2,672,825 | 2,461,000 | 12 | 9 |

MAJOR STATEMENT OF COMPREHENSIVE INCOME ITEMS

| | | | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|------|------|
| Gross premium written | 4,965,328 | 4,437,541 | 3,341,515 | 3,137,220 | 12 | 7 |
| Net premium earned | 3,609,819 | 3,333,825 | 2,381,021 | 2,380,018 | 8 | 0 |
| Investment income | 309,307 | 333,879 | 151,273 | 183,516 | (7) | (18) |
| Other income | 360,065 | 1,692,993 | 310,627 | 1,688,322 | (79) | (82) |
| Gross claims paid | 2,417,614 | 1,365,229 | 1,163,700 | 334,724 | 77 | 248 |
| Profit/(Loss) before taxation | 412,807 | (180,090) | 400,141 | 152,275 | 329 | 163 |
| Profit/(Loss) after taxation | 275,340 | (255,024) | 271,405 | 92,903 | 208 | 192 |

INFORMATION PER 50K ORDINARY SHARE

| | | | | | | |
|--|---------------|---------------|---------------|---------------|-----|-------|
| Earnings per share (kobo) | 4 | (3) | 4 | 1 | 208 | (192) |
| Dividend per share (kobo) | | | | | - | - |
| Net assets (kobo) | 80 | 76 | 79 | 74 | 5 | 0 |
| Stock exchange quotation (kobo) at 31 December | 50 | 50 | 50 | 50 | - | - |
| Price earning ratio | 13 | (14) | 14 | 39 | 193 | 66 |
| Number of 50k shares issued | 7,334,343,421 | 7,334,343,421 | 7,323,433,421 | 7,323,433,421 | - | - |
| Number of employees | 171 | 162 | 140 | 144 | - | - |
| Number of branches | 15 | 13 | 14 | 15 | - | - |

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 34th (Thirty-fourth) Annual General Meeting of LASACO Assurance Plc. will take place at Hall A Kwara Hotels, No. 9A Ahmadu Bello Way G.R.A. Ilorin Kwara -State on Thursday 23rd October, 2014 at 11.00 a.m. for the following purposes:

1.0 Transacting the following Ordinary Business

- 1.1 To lay before the Meeting, the Audited Financial Statement of the Company and of the Group for the year ended 31st December, 2013 and Reports of the Directors, Independent Auditor and Audit Committee thereon.
- 1.2 To re-elect the following Directors who in accordance with Articles 91 and 93 of the Company's Articles of Association, retire by rotation, but are eligible and offer themselves for re-election:

Mrs. Aduke Modupeola Thorpe
Dr. (Mrs.). Olutoyin Phillips

- 1.3 To authorize the Directors of the Company to fix the remuneration of the Auditors.
- 1.4 To elect members of the Audit Committee.

2.0 Transacting the following Special Business

- 2.1 To approve the remuneration of the Directors
- 2.2 To approve the appointment of the new External Auditors (Doyin Owolabi & Co).
- 2.3 To approve the appointment of an Independent Director
- 2.4 To approve the appointment of a New Director (Representative of Ibile Holdings)
- 2.5 To approve the appointment of the new Registrars (Apel Capitals)

NOTES ON PROXIES

A member of the Company is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The proxy Form is enclosed and if it is to be valid for the purpose of the meeting, it must be completed and deposited at the Registered Office of the Company, Plot 16, Acme road, Ogba, Ikeja, Lagos not later than 48 hours before the time for holding the meeting.

THE AUDIT COMMITTEE

In accordance with section 368 (5) of the Companies and Allied Matters Act CAP C20, LFN 2004, any member may nominate a shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS AND TRANSFER BOOKS

Notice is hereby given that the Register of members and transfer Books of the Company will be closed from Tuesday, 30th September, 2014 to Monday 20th October, 2014 (Both days inclusive).

UNCLAIMED DIVIDEND WARRANTS AND SHARE CERTIFICATES

A number of warrants and share certificates have remained unclaimed or are yet to be presented for payment or returned to the Company for revalidation. Affected Shareholders are advised to contact the Company's Registrars, Mainstreet Bank Registrars Limited, 2A Gbagada Expressway, Anthony Village Lagos State or call telephone Nos. 01-773535963, 7735967, 8502754, 7100798.

E-DIVIDEND/BONUS

Notice is hereby given to all shareholders to open bank accounts, stock broking account and CSCS Accounts for the purposes of dividend/bonus. A detachable application form for e-bonus/e-dividend is attached to this Annual Report to enable all shareholders furnish particulars of their accounts to the Company's Registrars, Mainstreetbank Registrars limited as soon as possible.



BY ORDER OF THE BOARD

Company Secretary/Legal Adviser
Dated this 31st December, 2013

REGISTERD OFFICE
PLOT 16 ACME ROAD
OGBA IKEJA P.O.BOX 3724
MARINA LAGOS



NOTE: We shall distribute the year 2013 (January-December) results and other corporate information in the same format this year, which shall be posted to shareholders through your registered address with us. The result may also be accessed on the Company's website, WWW.lasacoassurance.com



CHAIRMAN'S STATEMENT

Distinguished Shareholders, Board of Directors, Gentlemen of the Press, Representatives of Statutory and Supervisory Bodies, Management and Staff of LASACO, Ladies and Gentlemen.

It is with great pleasure that I welcome you all to the 34th Annual General Meeting of our Company, LASACO ASSURANCE PLC. I wish to appreciate your continued support. The confidence you reposed on us over the years has been of immense value and has encouraged us to work harder ensuring improved result in our performance and creation of long-term values for our stakeholders.

The year under review had witnessed some economic events such as the updates on the rebased GDP for year 2012, which has largely affected the position of Nigeria as a Nation in the rating of economic performance in the African continent. Currently, Nigeria ranks as Africa's largest economy. This was expected to attract increased foreign investment.

However, the socio-political environment has continually posed some challenges to the business environment especially in the Northern part of the Country. The effects of the insurgency have continued to affect our operations in that region. However, the relatively stable business environment in the southern part was able to cushion the effect.

In 2013, the National Insurance Commission (NAICOM) commenced the effective enforcement of the regulations on Premium collection and remittance (i.e. the "No Premium No Cover"). This has helped to improve the cash flow of the Insurance Industry generally.

OPERATING RESULTS

At the 33rd Annual General Meeting, I informed you all on the efforts being made to collaborate with Interswitch Limited on the adoption of e-commerce for the improvement of customer service. I am pleased to inform you that we have concluded on the e-payment platform and the revamping of our website to enhance better customer experience.

The continued global economic and financial crisis in the business environment undoubtedly affected the general performance of Insurance Companies; nonetheless, our group achieved a gross premium income of N4.96b as against N4.43b recorded in 2012. i.e. 12% growth in premium income.

Our net premium earned grew by 8% from N3.3billion to N3.6billion and our Underwriting profit grew by 10% in the year under review. I.e. increase from N1.28billion to N1.40billion.

The group recorded a net profit of N412million in 2013 as against N180million loss in 2012.

The shareholders' fund grew by 5% in 2013 from N5.5billion to N5.8billion in 2013 and Total asset increased by 13% from N11.8billion to N13.4billion.

CORPORATE GOVERNANCE

In line with the Corporate Governance practice and in compliance with the instructions of our regulatory bodies, the engagement of the former External Auditors had come to an end and we have successfully appointed a new External Auditor. Also, your company has now appointed a new Registrar.

Following my report to you at the last AGM in respect of the vacancies on the Board, I am pleased to inform you that Ibile Holdings has appointed Ms. Kikelomo Kasim as their representative.

The Board has also enhanced its composition with the addition of an alternate and independent Director respectively. However, as required by law and our Memorandum and Articles of Association, two of our Non-Executive Directors are retiring by rotation. They are Mrs. Aduke Thorpe and Mrs. Olutoyin Phillips. Being found eligible, they have presented themselves for re-election.

I am also pleased to inform you that the appointment of Mrs. Morayo Ayodapo Akinkunmi has been confirmed as the Company Secretary.

FUTURE OUTLOOK

Your Company has commenced its brand rejuvenation emphasizing effective customer communication. We shall continue to focus on ensuring improved brand visibility, increased investment returns and a more effective staff engagement.

According to African Development Bank analysis of the Nigeria Business environment, the performance of the economy continues to be underpinned by favourable improvements in the non-oil sector, with real GDP growth of 5.4%, 8.3% and 7.8% in 2011, 2012 and 2013, respectively. There are prospects in Nigeria for sustained growth driven by an improved performance of the key non-oil sectors – agriculture, information and communication technology, trade and services notwithstanding the decline in the contribution of the oil sector.

CONCLUSION

By and large, our universal strategy is to continually improve our corporate brand recognition; efficiency of our Quality Management System and ensure effectiveness of our Customer Relationship Management and online sales platforms.

Despite the challenging business environment and the stiff competition in the market, our growth over the years, can only be attributed to your loyalty. We are humbled by your trust and hope to continue to provide the support and protection of your investment that you desire and deserve.

Ladies and Gentlemen, On behalf of the Board of Directors, I thank you all once again; together, and by the grace of God, we will surmount operational and any unforeseen challenges. The future remains very promising indeed for all of us.

Thank You.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors are pleased to submit their report together with the audited financial statements of LASACO Assurance Plc ("the Company") and its subsidiary(together "the Group") for the year ended 31 December 2013.

Legal form and Principal activity

The Company was incorporated on December 20, 1979 under the Company Decree of 1968. The Company then, known as Lagos State Assurance Company Limited obtained license as an insurer on July 7, 1980 and commenced business on August 1, 1980. It became a public limited liability company in 1991 when the Company's shares were listed on the Nigerian Stock Exchange. The Company secured a life insurance business license from National Insurance Commission (NAICOM) in 2007. The Company then separated the life business and transferred the related assets and liabilities to its subsidiary, LASACO Life Assurance Company Limited. On January 1, 2009 LASACO Life Assurance Co. Ltd commenced business. The Company operates from its corporate office in Lagos and whilst it maintains branches in major cities of the Federation

The Group is principally engaged in the provision of various classes of insurance such as general accident, fire, motor, engineering, marine, bond insurances and life assurance businesses. The Group also transacts insurance business for aviation, oil & gas and other special risks.

Operating results

The following is a summary of the Group and Company's operating results for the year ended 31 December 2013:

| | Group | | Company | |
|--|------------------|------------------|------------------|---------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| Profit/(loss) before taxation | 412,807 | (180,090) | 400,141 | 152,275 |
| Taxation charge | (137,467) | (74,934) | (128,736) | (59,372) |
| Profit/ (loss) after taxation | 275,340 | (255,024) | 271,405 | 92,903 |
| Transfer to statutory contingency reserve | (127,791) | (107,813) | (111,553) | (94,810) |
| Transfer to retained earnings for the year | 147,549 | (362,837) | 159,852 | (1,907) |

DIRECTORS' REPORT (CON'TD)

FOR THE YEAR ENDED 31 DECEMBER 2013

Directors and their interests

The Directors' interests in the issued share capital of the Company as recorded in the register of members and as advised by the Company's registrars for the purposes of section 275 of the Companies and Allied Matters Act and the listing requirements of the Nigerian Stock Exchange are as follows:

31 December 2013

| Name of Director | Direct | Indirect | Total |
|--------------------------------------|------------|----------|------------|
| Mr. Olusola Ladipo - Ajayi | 28,004,324 | - | 28,004,324 |
| Mrs. Aduke Modupeolu Thorpe | 2,342,592 | - | 2,342,592 |
| Dr. (Mrs.) Olutoyin Adebola Philips | 6,083,734 | - | 6,083,734 |
| Engineer Ashim Adebowale Oyekan | 25,011,138 | - | 25,011,138 |
| Chief (Dr.) Michael Olusegun Abraham | 25,142,362 | - | 25,142,362 |
| Mr. Babajide Wright | 1,971,496 | - | 1,971,496 |
| Ms. Kikelomo Kasim | - | - | - |

31 December 2012

| Name of Director | Direct | Indirect | Total |
|--------------------------------------|------------|----------|------------|
| Chief Edward Akin Leigh | 7,398,717 | - | 7,398,717 |
| Mr. Olusola Ladipo - Ajayi | 28,004,324 | - | 28,004,324 |
| Mrs. Aduke Modupeolu Thorpe | 2,342,592 | - | 2,342,592 |
| Dr. (Mrs.) Olutoyin Adebola Philips | 6,083,734 | - | 6,083,734 |
| Engineer Ashim Adebowale Oyekan | 25,011,138 | - | 25,011,138 |
| Chief (Dr.) Michael Olusegun Abraham | 25,142,362 | - | 25,142,362 |
| Mr. Babajide Wright | 1,971,496 | - | 1,971,496 |

Chief (Dr.) Michael Olusegun Abraham is a representative of Canon Property & Investments Limited with a total of 748,976,302 (2012 - 748,976,302) shares at December 31, 2013

Ms. Kike Kasim is representing Ibile Holdings Ltd with a total of 1,702,796,764 shares as at 31st December 2013.

DIRECTORS' REPORT (CON'TD) FOR THE YEAR ENDED 31 DECEMBER 2013

Directors' interest in contracts

In accordance with section 277 of the Companies and Allied Matters Act, none of the Directors has notified the Company of any declarable interest in contracts or proposed contracts with the Company.

Retiring Directors

In accordance with Section 259 of Companies and Allied matters Act CAP C20 LFN 2004, Mrs. Aduke Thorpe and Dr. (Mrs) Phillips will retire by rotation and being eligible they offer themselves for re-election.

Share capital

The called-up and fully paid-up shares of the Company were beneficially held as follows at: 31 December 2013

| | 2013 | | 2012 | |
|------------------------------------|-----------------------------|--------------------|-----------------------------|--------------------|
| | Number of shares | Percentage | Number of shares | Percentage |
| Canon Properties & Investment Ltd | 748,976,302 | 10.2 | 748,976,302 | 10.2 |
| IHL Ventures Limited | 627,000,000 | 8.5 | 627,000,000 | 8.5 |
| IHL Properties Limited | 625,000,000 | 8.5 | 625,000,000 | 8.5 |
| Ibile Holdings | 450,796,764 | 6.2 | 450,796,764 | 6.2 |
| Nigerian Citizens and Associations | <u>4,882,570,355</u> | <u>66.6</u> | <u>4,882,570,355</u> | <u>66.6</u> |
| | <u>7,334,343,421</u> | <u>100</u> | <u>7,334,343,421</u> | <u>100</u> |

Analysis of shareholders

According to the register of members, no shareholder other than the ones mentioned above held more than 5% of the issued share capital of the Company as at 31 December 2013

.Donations

The Company made the following donations during the year:

| | N |
|--|-----------------------|
| (1) National Orthopaedic Hospital Igbobi | 100,000 |
| (2) Chartered Insurance Institute of Nigeria | 250,000 |
| | <u>350,000</u> |

Employment of disabled persons

The Company's recruitment and staff development policies and practices are non-discriminatory.

DIRECTORS' REPORT (CON'TD)

FOR THE YEAR ENDED 31 DECEMBER 2013

Employee involvement and training

The Company ensures that employees are informed of matters concerning them through formal and informal fora with an appropriate two-way feedback mechanism. In accordance with the Company's policy of continuous development, in-house training is provided on various aspects of the organisation. In addition, employees are nominated to attend both local and international courses and workshops which are complemented by on-the-job training.

Health, safety at work and welfare of employees

Health and safety regulations are in force within the Company's premises and employees are aware of existing regulations. The Company gives priority to the health and safety of its employees by ensuring that health and safety procedures are substantially complied with and maintained in its daily operations.

Acquisition of own shares

The Company did not purchase any of its own shares during the year.

Post balance sheet events

There were no post balance sheet events which could have a material effect on the financial position of the Group as at 31 December 2013 and the profit attributable to equity holders on that date other than as disclosed in the financial statements.

Auditors

In line with regulatory requirements, Messrs Abayomi-Dosunmu & Co. will no longer serve the Company as Auditors. A resolution will be passed at this Annual General Meeting approving the appointment of the new External Auditor.

By order of the Board



Morayo Akinkunmi

Company Secretary/Legal Adviser

FRC/2013/NBA/00000004107

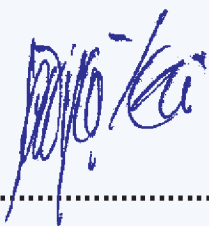
9th May 2014

Responsibilities of Directors

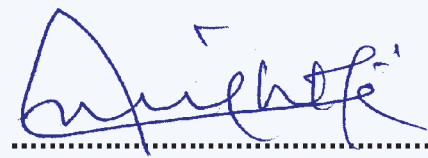
In accordance with provisions of the Companies and Allied Matters Act CAP C20 LFN 2004 and the Insurance Act CAP I17 LFN 2004 the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the group as at the year end and of its profit and loss account for the year then ended and comply with the requirements of both Acts.

These responsibilities include ensuring that:

- (a) Adequate internal control procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities
- (b) Proper accounting records are maintained
- (c) Applicable accounting practices are followed
- (d) Suitable accounting policies are used and consistently applied
- (e) The financial statements are prepared on a going concern basis unless it is inappropriate to presume that the group will continue in business.



Olusola Ladipo-Ajayi



Babajide Wright

FRC/2013/CIIN/000000001960

FRC/2013/CIIN/000000004388

CORPORATE GOVERNANCE REPORT

In accordance with the general requirements of the Code of Best Practices and Principles of Corporate Governance in Nigeria, 2011 ("the code"), we hereby highlight those key principles and practices that form the basis of the high standards of corporate conduct for which the LASACO Group is known for.

At LASACO, we conduct our business activities in accordance with the highest degree of ethical standards of good governance, integrity and in full compliance with the law, while taking into account the interest of stakeholders. We reach out to our employees, business partners, associates and stakeholders at large to secure their commitment and participation in upholding high standards of conduct in the performance of their duties.

The Board of Directors is responsible for setting, reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives, monitoring implementation and management performance; and overseeing major capital expenditures, acquisitions and investments. In order to fulfill their responsibilities, we ensure that Board members have access to accurate, relevant and timely information and that Board Members devote sufficient time to their responsibilities and duties

The Matters Reserved For the Board

The Board of Director's major performance enhancing and direction-setting responsibilities include the following matters:

- i. Strategy formulation, policy thrust and Management Policies
- ii. Integrity of financial controls and reports
- iii. Risk assessment and internal controls
- iv. Board and top executive Appointments
- v. Creating and sustaining appropriate relationships with all stakeholders
- vi. Selection, Performance Appraisal and Remuneration of Executive Directors
- vii. Succession Planning
- viii. Corporate Responsibility through the approval of relevant policies
- ix. Approves and reviews the matters reserved for the Board and the terms of reference for Board Committees
- x. Determines the remuneration for Non-Executive Directors
- xi. Sets the procedure for determining the remuneration of the company's independent auditors
- xii. Nominates members of the Board's committees and determines the scope of delegated authority to Board Committees and the Management as well as their respective responsibilities and accountability
- xiii. Develops and enforces a code of conduct for Non-Executive Directors and a binding Statement of Standards of Business Conduct for compliance by all company employees.
- xiv. Ensures compliance with all relevant laws and regulations by the Company and its officers.

The Board was made up of **Five** Non-Executive and **Two** Executive Directors during the 2013 financial year. Chief Edward Akin-Leigh the Chairman of the Board passed on during the 2013 financial year. At LASACO, the position of the group Chairman is separated and distinct from that of the Group Managing Director/Chief Executive Officer. The Chairman is Non-Executive Director.

The Board of LASACO Assurance Plc. met **Six (6)** times during the 2013 financial year. The following is the list of the Directors and their attendance records at the Board meetings:

BOARD OF DIRECTORS

| DIRECTORS | 21/2/13 | 7/3/13 | 19/3/13(E) | 16/5/13 | 15/8/13 | 26/11/13 |
|-----------------------|---------|--------|------------|---------|---------|----------|
| Chief E.A. Leigh | P | A | P | P | P | A |
| Mr. O.O. Ladipo-Ajayi | P | P | P | P | P | P |
| Mr. E.B. wright | P | P | P | P | P | P |
| Mrs. A.M. Thorpe | P | P | A | P | P | P |
| Dr. (Mrs.) O. Philips | P | P | P | P | P | P |
| Engineer A.A. Oyekan | P | P | P | P | P | P |
| Chief M.O. Abraham | P | A | A | A | P | A |

KEY: A = Absent P = Present E = Emergency

COMMITTEES OF THE BOARD

The Board performs its various duties and responsibilities through three (3) Committees: the Finance, Risk and General Purposes Committee, the Establishment and Corporate Governance Committee, and the Statutory Audit Committee. All Board Committees make recommendations for consideration and approval by the full Board.

At the management level, a Management Committee presided over by the Group Managing Director/Chief Executive Officer and comprising the Executive Director, Deputy and Assistant General Managers and selected Senior Controllers, including the Internal Auditor and Chief Risk Officer meet regularly every Monday of each week.

1) FINANCE, RISK AND GENERAL PURPOSES (F&GP) COMMITTEE

The Committee was chaired by a Non-executive Director and made up of three other Non-executive Directors and the two Executive Directors for a total membership of five (5) members.

The following are the key terms of reference of the F&GP Committee:

- To review the Group's operational standards and performance.
- To oversee financial reporting, policies and processes as well as compliance level.
- To oversee internal controls and compliance within the company and the group at large.
- To oversee capital and operating expenditures, specific projects and their financing within the overall Business Plan and Budget approved by the Board.
- To ensure that there are no conflicts of interest by Directors and Top Managers in the Company in the conduct of business.
- To proffer suggestions on optimal use of the Company's resources.

Membership

- Dr. (Mrs.) Olutoyin Philips - **Chairman**
- Engineer Ashim Oyekan - **Member**
- Dr. M. Segun Abraham - **Member**
- Mr. O. Olusola Ladipo-Ajayi - **Managing Director**
- Mr. E. Babajide Wright - **Executive Director**

The Board Finance, Risk and General Purposes Committee met four times during the year. The following table shows the meeting dates and the attendance of the Committee members at such meetings:

ATTENDANCE

| | 19/2/13 | 7/5/13 | 6/8/13 | 25/11/13 |
|------------------------------|----------|----------|----------|----------|
| Dr. (Mrs.) O. Philips | P | P | A | P |
| Engineer A.A. Oyekan | P | P | P | P |
| Chief M.O. Abraham | P | A | A | A |
| Mr. O.O Ladipo-Ajayi | P | P | P | P |
| Mr. E.B. Wright | P | P | P | P |

KEY: A = Absent P = Present

1. THE BOARD ESTABLISHMENT AND CORPORATE GOVERNANCE COMMITTEE

The Board Establishment and Corporate Governance Committee was made up of three non-Executive Directors, **one** of whom chaired the Committee and were joined by the **two** Executive Directors.

The Terms of reference of the Board Establishment Committee are as follows:

- a) To define the criteria and the procedure for the appointments and promotion of key officer of the company and the group, at manager cadres and above.
- b) To oversee proper administration of the Board approved performance based appraisal and remuneration System.
- c) To review from time to time the organizational structure and succession planning proposals of the group and make appropriate recommendations to the full Board
- d) Oversees the implementation of Board approved performance goals and objectives for the Executive Directors and Top Management.

Membership

| | | |
|-------------------------------|---|---------------------------|
| · Mrs Aduke Thorpe | - | Chairman |
| · Dr. (Mrs.) Olutoyin Philips | - | Member |
| · Engineer A.Ashim. Oyekan | - | Member |
| · Mr. O. Olusola Ladipo-Ajayi | - | Managing Director |
| · Mr. E. Babajide Wright | - | Executive Director |

The Board Establishment Committee met five times during the year under review.

The following table shows the meeting dates and the attendance of the Committee members at such meetings:

ATTENDANCE

| | 15/1/13 | 19/2/13 | 7/5/13 | 6/8/13 | 25/11/13 |
|------------------------------|----------|----------|----------|----------|----------|
| Mrs. A.M. Thorpe | P | P | P | P | P |
| Dr. (Mrs.) O. Philips | P | P | P | A | P |
| Engineer A.A. Oyekan | P | A | P | P | P |
| Mr. O.O. Ladipo-Ajayi | P | P | P | P | P |
| Mr. E.B. Wright | P | P | P | P | P |

KEY: A = Absent P = Present

3. THE STATUTORY AUDIT COMMITTEE

The Statutory Audit Committee was made up of six (6) members comprising three representatives of the shareholders who were elected at the 2011 Annual General Meeting held on 13th November 2012 for a period of one year till the conclusion of the 2012 Annual General Meeting; and three representatives of the Board of Directors nominated by the Board.

The Chairman of the Audit Committee for 2013 was Mr. W.A. Adegbite, FCA, a shareholders' representative. The meetings of the Committee were attended by the Company's Internal Audit representatives and representatives of Abayomi Dosunmu and Company, the Company's independent External Auditors. The Company Secretary is the Secretary of the Committee.

| | | |
|--------------------------------------|---|--|
| · Mr. Waheed A. Adegbite | - | Chairman – Shareholders' Representative |
| · Mr. S.O. Balogun | - | Member " " |
| · Engineer K.M. Erikitola | - | Member " " |
| · Dr. (Mrs.) Olutoyin Philips | - | Member – Board's Representative |
| · Mrs. Aduke Thorpe | - | Member - " " |
| · Engineer Ashim Oyekan | - | Member- " " |

AUDIT COMMITTEE

The following table shows members attendance at the meetings of the Committee in 2013

| | 8/3/13 | 29/7/13 |
|------------------------|--------|---------|
| Mr. W.A. Adegbite | P | P |
| Mr. S.O. Balogun | P | P |
| Engineer K.M.Eriketola | P | P |
| Engineer A. A. Oyekan | A | P |
| Dr. (Mrs.) T. Philips | P | A |
| Mrs. A.M. Thorpe | P | P |

KEY: A = Absent P = Present

The Terms of Reference of the committee

The following were the terms of reference of the Committee as provided in section 359(6) of the Companies and Allied Matters Act CAP C20 laws of the Federation of Nigeria, 2004:

- I. Ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- II. Review the scope of planning of audit requirements.
- III. Review the findings on management matters in conjunction with the external auditor and departmental responses thereon;
- IV. Keep under review the effectiveness of the Company's system of accounting and internal control.
- V. Make recommendations to the Board with regard to the appointment, removal and remuneration of the External Auditors of the Company.
- VI. Authorize the internal auditor to carry out investigation into any activities of the Company which may be of interest or concern to the committee.

There are two functional subsidiaries of the company with their respective Boards of Directors viz, **LASACO LIFE ASSURANCE COMPANY LIMITED** (incorporated 22nd of February 2007) and **LASACO Properties Limited** (incorporated 12th of August 1993)

2. LASACO LIFE ASSURANCE COMPANY LIMITED

| Composition of the Board | | |
|--------------------------|---|--------------------------|
| Mr. O.O. Ladipo-Ajayi | - | Chairman |
| Mr. E.B. Wright | - | Member |
| Mrs. O.M.O. Kazeem | - | Member |
| Mrs. I.A. Adewara | - | Member |
| Mr. O.A Popoola | - | Member |
| Mr. O.A. Olona | - | Managing Director |

The Objects for which the Company was formed include but not limited to the following:

- To carry on the business of Life assurance in all its branches and in particular to grant or effect Insurance of all kinds.
- To grant annuities of all kinds whether dependent on human life or otherwise and whether perpetual or terminable, immediate or deferred absolute, contingent or otherwise.
- To guarantee person filling or about to fill situation of trust or confidence against liabilities in connection.
- To establish and manage any contributory, non-contributory or superannuated funds or pension funds for retirement benefits.
- To invest any money of the Company in such investment and other of any nominees share, stock, debentures, securities etc. issued or guaranteed by any company.

MANAGEMENTS' COMMENT AND ANALYSIS FOR THE YEAR ENDED 31 DECEMBER 2013

For a deeper understanding of our strategy, and operational performance and also in compliance with regulatory requirements, we have outlined a Management's Comment and Analysis (MC & A) report as contained hereunder.

All financial information presented in this MC&A, including tabular amounts, is in Naira and is prepared in accordance with International Financial Reporting Standards ("IFRS").

To facilitate the understanding of the company's position, it is advised that the content of this MC&A be read in conjunction with the full audited annual consolidated financial statements as well as the accompanying notes.

Nature of Business

LASACO Assurance Plc's major activity is Insurance business. LASACO's business portfolio currently include leadership and significant share of key Federal and State Governments Insurance businesses, multinational and private companies underwriting businesses in major sectors of the economy, from heavy Engineering and Construction, Banking and Finance, Manufacturing, Agriculture, Tourism, Life covers to high- tech capital intensive special risks areas of Oil and Gas, and Aerospace. Our life outfit currently operates as a wholly owned subsidiary Company - LASACO Life Assurance Co. Limited.

Business Objective and Strategy

The company aims to be a market leader in Insurance and financial services in Nigeria. By this, the company's objective is to emerge as one of the top ten Insurance service providers in Nigeria by 2015.

To ensure this goal is achieved, LASACO Group's strategy is to broaden and align service delivery channels along customer segments taking cognizance of the difference between policy administration, product support and customer care to adequately cater for peculiar needs for each segment.

LASACO is set to be a strong, efficient, cost effective and transparent Insurance and Financial services solution provider, investing in business and market segments that consistently offer profitable growth, increase return on our capital, and sustain long term shareholders' value.

Quality Policy Statement

LASACO Assurance Plc is committed to delivering Insurance and Financial Services of Superior Quality, surpassing customers expectations and ensuring strict compliance with regulatory and statutory requirements.

We are committed to continually improving the effectiveness of our Quality Management System in line with ISO 9001 - 2008 Certification.

We establish measurable goals and objectives at departmental levels which we review as the need arises ensuring timely and effective implementation of company strategy.

Performance Indicators

Operating Result, Cash flow and Financial Condition (in thousands of Nigerian Naira)

| | GROUP | | | COMPANY | | |
|----------------------------|--------------------|-------------|--------|--------------------|-------------|--------|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| | N'000 | N'000 | % | N'000 | N'000 | % |
| Gross written premium | 4,965,328 | 4,437,541 | 12% | 3,341,515 | 3,137,220 | 7% |
| Net premium income revenue | 3,609,619 | 3,333,825 | 8% | 2,381,021 | 2,380,018 | 0.0% |
| Underwriting profit | 1,405,498 | 1,283,558 | 14% | 1,215,267 | 1,436,326 | -15% |
| Investment income | 309,307 | 333,879 | -7% | 151,273 | 183,516 | -18% |
| Operating expenses | (1,759,381) | (3,469,499) | 50% | (1,336,804) | (3,189,802) | 58% |
| Profit/(loss) before tax | 412,807 | (180,090) | 329% | 400,141 | 152,275 | 163% |
| EPS (k) | 4 | (3) | -233% | 4 | 1 | 300% |

The group was able to achieve a growth of 12% in gross written premium in 2013. Some of the strategies put in place have begun to yield some positive results.

MANAGEMENTS' COMMENT AND ANALYSIS (Cont'd)

FOR THE YEAR ENED 31 DECEMBER 2013

Revenue and Underwriting Result: Some of the strategic moves impacted on the net premium income of N3.6 billion which represents an increase of N30 million over 2012 results.

The Group settled N2.417billion in claims and insurance benefits in 2013, an increase of N1.05billion over corresponding amounts settled in 2012. The underwriting result at the end of the year amounted to N1.4billion compared to N1.2 billion earned during the year ended 31 December 2012. An increase of 17%

Operating Expenses: Operating expenses for the year amounted to N1.7billion representing a decrease of N1.74billion compared to prior year.

Profit before tax: The group moved from a loss position of N180m to a profit of N413m . This represents a growth of 329%.

Cash and Cash Equivalents: As at 31st December 2013, the Group had N3.088billion in the cash and cash equivalents, including short-term deposits of N2.8billion with maturity of not more than three months.

Liquidity, Capital Resources and Risk Factors

The Company's cash investment is in accordance with its investments policy and complies with the regulatory requirements. The company's investment strategy is influenced by a focus on highly liquid financial instruments such as term deposit, equity and debt instruments. At the end of December 2013, the Group had approximately N795 million invested in fixed income and N1.065billion in equity instruments.

In line with our Corporate Governance Policy, it is necessary to disclose that the company paid the sum of 2.1 million Naira only to the Nigeria Stock Exchange Commission as the penalty for late submission of our 2012 Annual Report.

Forward Looking Statements

Some aspects of the statement above will also apply to the company's future outlook. Reference to the Company's or Management's budget, estimates, expectations, forecasts, predictions or projections constitute aspect of the "forward-looking statements". Such statements may also be deduced from the use of conditional or forward-looking terminologies including but not limited to words such as "anticipates", "believes", "estimates", "expects", "may", "plans", "projects", "should", "will", or the adverse variants of such which appear within the body of this document.

Many factors and assumptions may affect the manifestation of the Company's projections, including, but not limited to, production rate, claims rate, employee turnover, relationships with brokers, agents and suppliers, economic and political conditions, non-compliance with laws or regulations by the Company's employees, brokers, agents, suppliers, and/or partners, and other factors that are beyond its control.

Without prejudice to the Company, such Forward Looking Statements reflect Management's current belief and are based on available information which are subject to risks and uncertainties as identified. Therefore, the eventual action and/or outcome could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes.

The forward-looking statements in this document reflect the Company's expectations as it was at the time the Company's Board of Directors approved this document, and are subject to change after this date. The Company does not undertake any obligation to update publicly or to revise any such forward-looking statements, unless required by applicable legislation or regulation.

REPORT OF THE AUDIT COMMITTEE FOR THE YEAR ENDED 31 DECEMBER, 2013

TO MEMBERS OF LASACO ASSURANCE PLC

In compliance with the provisions of Section 359(3) to (6) of the Companies and Allied Matters Act (Cap C20) Laws of the Federation of Nigeria 2004, the Committee considered the Audited Financial Statements for the year ended 31 December 2013 together with the Management Control Report from the Auditors and the Group's responses to this report at its meeting held March 20, 2014

In our opinion, the scope and planning of the audit for the year ended 31 December 2013 were adequate.

After due consideration, the committee accepted the report of the auditors that the financial statements were in accordance with ethical practice and generally accepted accounting principles and give a true and fair view of the state of the group's financial affairs.

The Committee reviewed Management's responses to the Auditors' findings in respect of Management Matters and the Auditors and our members are satisfied with management's responses thereto. On a review of insider/related party transactions, the Committee was satisfied with their status.

The Committee therefore recommended that the Audited Financial Statements of the Group for the year ended 31 December 2013 and the Auditors' Report thereon be presented for adoption at the Annual General Meeting.

The committee also approved the provision made in the Financial Statements in relation to the remuneration of the auditors.



MR. MATTHEW AKINLADE
 Chairman, Audit Committee
 FRC/2013/ICAN/00000021111
 Dated

MEMBERS OF THE AUDIT COMMITTEE ARE:

| | | |
|------------------------|---|---|
| Mr. Mathew Akinlade | - | Chairman – Shareholders' Representative |
| Mrs. Abigail Olajide | - | Member – Shareholders' Representative |
| Mr. S. O. Ogunnowo | - | Member – Shareholders' Representative |
| Engineer A. A. Oyekan | - | Member – Board's Representative |
| Dr. (Mrs.) T. Phillips | - | Member – Board's Representative |
| Mrs. Aduke Thorpe | - | Member – Board's Representative |

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LASACO ASSURANCE PLC

Report on the financial statements

We have audited the accompanying consolidated and separate financial statements of LASACO Assurance Plc ("the company") and its subsidiary (together "the group"). These financial statements comprise the consolidated and separate statements of financial position as at 31 December, 2013 and the consolidated and separate income statements and statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004 and the Financial Reporting Council of Nigeria Act No 6, 2011 and for such internal control, as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standard on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the Auditor's judgement including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error in making those risks assessment, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the company and the group as at 31 December, 2013 and of the financial performance and cash flows of the company and the group for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, CAP C20 LFN 2004, Nigerian Insurance Act and Financial Reporting Council of Nigeria.

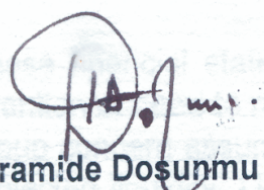
Report on other legal requirements

The Companies Allied Matters Act requires that in carrying out our audit, we consider and report to you on the following matters. We confirm that:

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

The company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us.

The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.


Aramide Dosunmu
For: Abayomi- Dosunmu & Co.
Chartered Accountants
FRC/2013/ICAN/00000000665
Lagos, Nigeria

7 July 2014



Statement of Significant Accounting Policies

Year Ended 31 December 2013

1. Reporting entity

LASACO Assurance Plc ("the Company") together with its subsidiary (collectively "the Group") is a public limited liability company domiciled in Nigeria. The address of the corporate office is Plot 16 Acme Road, Ogba, Ikeja. The company is principally engaged in the business of providing risk underwriting and related financial services to its customers, such services include provision of life and non-life insurance services for both corporate and individual customers.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The issuance of these Group consolidated financial statements were authorized by the Board of Directors on 25 March, 2014.

2. Going concern

These financial statement have being prepared on the going concern basis, the group has no intention or need to reduce substantially its business operations. The management believes that the group concern assumption is appropriate for the group due to sufficient capital adequacy ratio and projected liquidity. Liquidity ratio and continuous evaluation of current ratio of the group is carried out to ensure that there are no going concern threats to the operations of the group.

3. Basis of presentation

a) Statement of compliance with International Financial Reporting Standards

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and in the manner required by Companies and Allied Matters Act of Nigeria, the Insurance Act of Nigeria and the Financial Reporting Council of Nigeria Act.

b) Functional and presentation currency

The financial statements are presented in Nigerian currency (Naira) which is the Group's functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousands.

c) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following:

- Financial instruments are measured at fair value
- Investment properties are measured at fair value
- Building is carried at re-valued amount

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates under different assumptions and conditions. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Statement of Significant Accounting Policies

Year Ended 31 December 2013

4. Changes in accounting policy and disclosure

(a) New and amended standards adopted by the Group

Except for the changes below, the Group has consistently applied the accounting policies set out in note 3 to all periods presented in this financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards with a date of initial application of January 1, 2013.

- IFRS 10 Consolidated Financial Statements (2011)
- IFRS 12 Disclosure of Interest in Other entities
- IFRS 13 Fair Value Measurement
- Presentation of items of Other Comprehensive Income (Amendment to IAS 1)
- IAS 19 Employee Benefits (2011)

(I) Subsidiaries – As a result of IFRS 10, the group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10, the Group re-assessed its control conclusions as of January 01, 2013 and this did not result in any change from the conclusion reached in prior year. The change in accounting policy did not have material impact on the Group financial statements.

(ii) Interest in other entities - As a result of IFRS 12, the Group has expanded disclosures about its interest in subsidiaries.

(iii) Fair value measurement - In accordance with the transitional provision of IFRS 13, the group has applied the new definition of fair value. The change has no significant impact on the measurement of the Group assets and liabilities, but Group has included new disclosure in the financial statements which are required under IFRS 13.

(iv) Presentation of items of other comprehensive income – As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re- presented on the same basis.

(v) Post employee benefits - As a result of IAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expenses related to its defined plans.

Under IAS 19, the Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then net defined benefit liability taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. The change does not have a material impact on the Group's financial statements.

Statement of Significant Accounting Policies

Year Ended 31 December 2013

(a) New and amended standards and interpretations not yet adopted by the Group

As at December 31, 2013, a number of standards and interpretations, and amendments thereto, had been issued by the IASB which are not yet effective for these consolidated financial statements. None of these standards is expected to have a significant effect on the consolidated financial statement of the group, except the following set out below:

(I) IFRS 9 Financial Instruments – Classification and Measurement (effective January 1, 2015)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial asset. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing in IAS 39 in respect of financial assets. The standard contains two primary measurement categories of financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale, loans and receivables. For an investment in equity instrument which is not Held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share by share basis to present all fair value changes from the investment in other comprehensive income.

No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investment are recognized in profit or loss, rather than other comprehensive unless they clearly represent a partial recovery of the cost of the investments. Investments in equity instrument in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

(ii) Amendments to IAS 32 – Financial Instruments: Presentation (effective January 1, 2014)

The IASB has issued amendments to the application guidance in IAS 32, 'financial instruments: Presentation' that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statements of financial position continue to be different from Generally, Accepted Accounting Practice in the United State of America.

C) New standards and amend issued and effective for the financial year beginning January 1, 2013 and has no impact on the financial statement of the Group

| Standard | Content | Applicable for financial year beginning/after |
|----------|---|---|
| IFRS 1 | First time adoption of IFRS | 1 January 2013 |
| IAS 1 | Presentation of financial statements | 1 January 2013 |
| IAS 16 | Property, plant and equipment | 1 January 2013 |
| IAS 34 | Interim financial reporting | 1 January 2013 |
| IFRIC 20 | Stripping costs in the production phase of a surface mine | 1 January 2013 |

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IFRS 1 First time adoption of IFRS (Amendment)

The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances and that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date. Lastly the amendments clarify that a first-time adopter should provide the supporting notes for all statements presented.

IAS 1 Presentation of financial statements (Amendment)

The amendment clarifies the disclosure requirements for comparative information when the entity provides a third statement of financial position either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors', or voluntarily. In addition the standard also requires a disclosure of items in other comprehensive income that will be transferred to the profit or loss statement and those that would not be transferred.

IAS 16 Property, plant and equipment (Amendment)

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

IAS 34 Interim financial reporting (Amendment)

The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.

IFRIC 20 Stripping costs in the production phase of a surface mine (Amendment)

In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

5. Consolidation

The Group defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statement.

The Group controls an investee entity when it is expected, or has rights, to variable returns from its involvement with the investee entity and has the ability to affect those returns through its power over the investee entity. The Group applies the following three elements of control as set out the principle of control in assessing control of an investee:

- (a) Power over the investee entity
- (b) Exposure, or rights, to variable returns from involvement with the investee entity, and
- © the ability to use power over the investee to affect the amount of the investor's returns.

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Subsidiaries

Subsidiaries are all entities (including special purpose entities and other structured entities) over which the Group exercises control.

The financial statements of subsidiaries are consolidated from the date the Group acquires control up to the date that such effective control ceases. Subsidiaries are entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from their activities.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transaction (transaction with owner). Any difference between the amount by which the non – controlling interest is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.

Intra-Group balances and transactions and any unrealized gains or losses arising from intra-Group transactions are eliminated in preparing the Group financial statements but only to the extent that there is no evidence of impairment.

(i) Changes in ownership interests in subsidiaries without change in controls

Transactions with non- controlling interests that do not result in loss of control are accounted for as equity transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non- controlling interest are also recorded in equity.

(ii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

6. Segment Reporting

Management has determined the operating segments based on the report reviewed by the strategic steering committee that are used to make strategic decisions.

All operating segments used by management meet the definition of a reportable segment under IFRS 8. The Group is organized on a worldwide basis into five operating segments.

The segments distribute their products through various forms of brokers, agencies and direct marketing programs. Management identifies its reportable operating segments by products lines consistent with the report used by the strategic steering committee.

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7. Foreign currency translations

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entity are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in thousand of naira which is the Group's presentation currency.

b) Transaction and balances

Foreign currency transaction are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within finance income or cost. All other foreign exchange gains and losses are presented in the income statement within other 'operating income' or 'other operating expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognised in profit or loss, other change in carrying amount is recognised in 'other comprehensive income'.

Non-monetary assets and liabilities carried at fair value are translated to functional currency at the exchange rates ruling at valuation date. Non-monetary assets and liabilities carried at historic cost are translated to functional currency at the exchange rates ruling at the date of initial recognition. Exchange differences arising on the settlement of transactions or the translation of working capital assets and liabilities are recognised in the statement of comprehensive income as financial services income.

8. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position. For the purpose of the consolidated cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above.

9. Financial assets

The Group classifies its financial assets into the following categories: Held to maturity, Loans and receivables and available for sale.

Classification:

(i) Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held to maturity when the group has the positive intention and ability to hold until maturity other than:

- those that the Group upon initial recognition designates as at fair value through profit or loss
- those that the Group designates as available for sale: and
- those that meet the definition of loans and receivables

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(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market other than:

- those the Group intends to sell in the short term which are declassified as fair value through profit or loss and those the Group upon initial recognition designates as at fair value through profit or loss
- those the Group upon initial recognition designates as Available for sale
- those for which the holder may not recover substantially all of its investment other than because of credit risk. They include:

(a) Trade Receivables – These are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. After initial recognition they are measured at amortized cost using the effective interest method less impairment. Discounting is omitted where the effect of discounting is immaterial.

(b) Reinsurance and co- insurance receivables – The Company cedes business to reinsurers in the normal course of business for the purpose of limiting its net loss potential through the transfer of risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policy holders.

(c) Other receivables – Other receivables are made up of prepayments and other amounts due from parties which are not directly linked to insurance or investment contract.

(iii) Available for Sales

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

10. Recognition and de-recognition

Financial instruments are recognized when group becomes party to a contractual arrangement that constitutes a financial assets or financial liability for the group.

Financial assets are derecognized when the contractual right to receive the cash flows expire or when the asset is transferred. Financial liabilities are derecognized when the obligation to deliver cash or other resources in terms of the contract is discharged, cancelled or expires.

Held to maturity

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transactions costs directly attributable to acquisition are also included in the cost of investment. After initial measurement, held to maturity financial assets are measured at amortized cost, using the effective interest rate method, less impairment. Gains and losses are recognised in the income statement when investments are de-recognised or impaired.

Loans and receivables

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate method (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gains and losses are recognised in the income statement when the investments are de-recognised or impaired.

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Available-for-sale financial assets

After initial measurement, available-for-sale financial assets are subsequently measured at fair value. The fair values for quoted instruments in active markets are based on current bid price. The fair value of unquoted equities and other instruments for which there is no active market are established using valuation techniques corroborated by independent third parties. These inputs may include reference to the current fair value of other instruments that are substantially similar in terms of underlying cash flows and risks characteristics. Available for sale equity instruments for which fair value cannot be reliably determined are carried at cost less impairment allowance, if any.

Unrealized gain and losses arising from changes in the fair value are recognised in other comprehensive income while the investment is held and are subsequently transferred to the income statement upon sale or de-recognition of the instrument. When available for sale instrument are impaired, the result of loss is recognised immediately in the state of profit or loss.

Dividends received are recognised in the income statement when the Group's right to such payment has been established.

11. Impairment of assets

a) Financial asset carried at amortized cost

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence of impairment may include the following indications:

- the debtors or a group of debtors is experiencing significant financial difficulty
- default or delinquency in interest or principal payments
- the probability the debtor will enter bankruptcy or
- other financial re-organization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in payment status or economic conditions that correlate with defaults.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. The Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

When the financial asset at amortized cost is uncollectible, it is written off against the related allowance for impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to Investment securities are classified as net gains/loss of financial assets while those on receivables are classified as operating expenses.

b) Assets classified as available for sale

In the case of equity investment classified as available for sale, a significant decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. The cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

12. Impairment of other non – financial assets

Assets that have indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flow.

13. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

14. Reinsurance Contracts

Reinsurance contracts are contracts entered into with reinsurers under which the Group is compensated for losses on one or more long-term policy contracts issued by the group. The expected claims and benefits to which the group is entitled under these contracts are recognised as reinsurance assets.

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15. Deferred expenses

Deferred Acquisition cost (DAC) refers to direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts. These costs are deferred with the expectation that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs for life insurance business are amortized over the expected life of the contracts as a constant percentage of expected premiums. DAC for general insurance business is amortized over the period in which the related revenues are earned. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value an impairment loss is recognised in the income statement. Deferred acquisition cost is also considered in the liability adequacy test for each reporting period. DAC is derecognised when the related contracts are either settled or disposed of.

16. Prepayments

Prepayments are carried at cost less accumulated impairment losses.

17. Investment Properties

Investment properties comprise properties held to earn rental income and/or for capital appreciation. Investment properties are initially measured at cost and subsequently carried at fair value based on valuations hired by the group. Investment properties are revalued with sufficient regularity by external professional. The valuations value is determined by discounting expected future cash flows at appropriate market interest rates. Changes in fair value of investment properties are recognised in the statement of comprehensive income as investment surplus. When investment properties become owner-occupied, the group reclassifies them to owner-occupied properties at a deemed cost equal to the fair value of properties at the date of reclassification. The difference between the carrying value and fair value of the properties at the date of reclassification to investment properties is recognised directly in equity as a revaluation surplus. Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal.

18. Property and Equipment

Property, plant and equipment are reflected at their depreciated cost prices less provisions for impairment in value, where appropriate. Depreciation is recognised in net income and is provided for on a straight-line basis, taking into account the residual value and estimated useful lives of the assets as follows:

| | |
|-------------------------|----------|
| Building | 50 Years |
| Furniture and Equipment | 5 Years |
| Motor Vehicle | 4 Years |

If the expected residual value is equal or greater than the carrying value, no depreciation is provided for. The residual values, estimated useful lives of the assets and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. Cost prices include costs directly attributable to the acquisition of property and equipment, as well as subsequent expenditure when it is probable that the future economic benefits associated with the item will flow to the group and the expenditure can be measured reliably. Property and equipment are derecognised at disposal date or at the date when it is permanently withdrawn from use being ineligible to dispose of. The differences between the carrying amounts at the date of de-recognition and any disposal proceeds, as applicable, is recognised in the income statement.

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Owner-occupied property

Owner-occupied property is property held for use in the supply of services or for administration purposes. The properties are valued at carrying amount less depreciation and provision for impairment in value, where appropriate. The carrying amount is based on the cost of properties classified as owner-occupied on date of acquisition and fair value at the date of reclassification in instances where properties are reclassified from investment properties to owner-occupied properties. Depreciation is provided for on a straight basis by taking into account the residual and estimated useful life of the property.

The residual values, estimated useful lives of the owner-occupied properties and depreciation methods are reviewed at each statement of financial position date and adjusted as appropriate. If the expected residual value is equal or greater than the carrying value, no depreciation is provided for. When owner-occupied properties become investment properties, they are reclassified to investment properties at the fair value of properties at the date of reclassification.

The difference between the carrying value and fair value of the properties at the date of reclassification is recognized directly in other comprehensive income as a revaluation surplus. Owner-occupied property is de-recognized at disposal date or at the date when it is permanently withdrawn from use being ineligible to dispose of. The differences between the carrying amounts at the date of de-recognition and any disposal proceeds, as applicable, is recognized in the income statement

17. Statutory deposit

Statutory deposit represents 10% of the paid up capital of the Company deposited with the Central Bank of Nigeria (CBN) pursuant to Section 10(3) of the Insurance Act, 2003. Statutory deposit is measured at cost.

20. Intangible Assets

Intangible assets represent cost associated with the acquisition of software and inherent goodwill on business combination.

(i) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

It is technically feasible to complete the software product so that it will be available for use;

- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured."

Directly attributable costs that are capitalized as part of the software product include the software development, employee costs and an appropriate portion of directly attributable overheads.

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Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortized over their useful lives, which does not exceed five years.

(ii) Good will

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGU's or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

21. Insurance contracts

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts where a party (the policy holder) transfers significant insurance risk to another party (insurer) and the latter agrees to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder, or other beneficiary. Such contracts may also transfer financial risk when the insurer issues financial instruments with a discretionary participation feature.

(a) Types of Insurance Contracts

The Group classify insurance contracts into Life and Non – Life Insurance contracts

(i) Non – Life Insurance contracts

These are accident, property and casualty insurance contracts.

Accident and casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

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Non- life insurance contracts protect the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

(ii) Life insurance contracts

This contract insures event associated with human life.

(b) Recognition and measurement

(i) Non- life insurance contract premium and claims

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability. Premiums are shown before deduction of commission.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

(ii) Life insurance contract premium and claims

Premiums are recognised as revenue when they become payable by the contract holders. Premium is shown before deduction of commission.

Claims and other benefits are recorded as an expense when they are incurred.

(iii) Salvage

Some non-life insurance contracts permit the Group to sell (usually damaged) property acquired in the process of settling a claim. The Group may also have the right to pursue third parties for payment of some or all costs of damages to its clients property (i.e. subrogation right). Salvage recoveries are used to reduce the claim expense when the claim is settled.

(iv) Subrogation

Subrogation is the right for an insurer to pursue a third party that caused an insurance loss to the insured. This is done as a means of recovering the amount of the claim paid to the insured for the loss. A receivable for subrogation is recognized in other assets when the liability is settled and the Company has the right to receive future cash flow from the third party.

(v) Receivable and payables relating to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

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If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group gathers the objective evidence that an insurance receivable is impaired using the same methodology adopted for financial assets held at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

22. Investment contract

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Investment contracts can be classified into interest linked and unitised fund. Interest linked investment contracts are measured at amortised cost while unitised funds are measured at fair value. Investment contracts with guaranteed returns (interest linked) and other business of a savings nature are recognized as liabilities. Interest accruing to the life assured from investment of the savings is recognized in the profit and loss account in the year it is earned while interest paid and due to depositors is recognized as an expense. The net result of the deposit administration revenue account is transferred to the income statement of the group.

23. Technical Reserves.

These are computed in compliance with provision of Section 20, 21 and 22 of the Insurance Act 2003 as follows:

(a) General Insurance contracts

Reserve for unearned premium

In compliance with Section 20 (1) (a) of Insurance Act 2003, the reserve for unearned premium is calculated on a time apportionment basis in respect of the risks accepted during the year.

Reserve for outstanding claims

The reserve for outstanding claims is maintained at the total amount of outstanding claims incurred and reported plus claims incurred but not reported ("IBNR") as at the reporting date. The IBNR is based on the liability adequacy test.

Reserve for Unexpired risks.

A provision for additional unexpired risk reserve (AURR) is recognized for an underwriting year where it is envisaged that the estimated cost of claims and expenses would exceed the unearned premium reserve (UPR)"

(b) Life Insurance contract

Life fund

This made up of net liabilities on policies in force as computed by the actuaries at the reporting date. Surplus or deficit arising from the periodic valuation of the life insurance contracts are recognised in the statement of profit or loss.

The reserves include Incurred but Not Report (IBNR) and unearned premium.

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(c) Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed by an Actuary to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests "the unexpired risk provision".

The provisions of the Insurance Act 2003 requires an actuarial valuation for life reserves only however, IFRS 4 requires a liability adequacy test for both life and non-life insurance reserves.

24. Trade and other payables

Trade and receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method. The fair value of a non – interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year discounting is omitted.

25. Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

26. Current and deferred income tax

Income Taxes

Taxation in the income statement is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years.

Deferred Taxes

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the related deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilized.

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Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds net of tax.

28. Contingency reserves**(a) Non-Life Business**

In accordance with section 20(1) of insurance Act 2003, the contingency reserve is credited with the greater of 3% of total premiums, or 20% of the profits. This shall be accumulated until it reaches the amount of the greater of minimum paid-up capital or 50 percent of net premium.

(b) Life Business

In accordance with section 22(1) (b) of Insurance Act 2003, the contingency reserve is credited with the higher of 1% of gross premiums or 10% of net profit.

29. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

30. Dividend

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

31. Contingent liabilities

These are Possible obligations of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the group and present obligations of the Group where it is not probable that an outflow of economic benefits will be required to settle the obligation or where the amount of the obligation cannot be measured reliably, which are not recognised in the group's statement of financial position but are disclosed in the notes to the financial statements.

Possible assets of the Group, the existence of which will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control or the group, are not recognised in the Group's statement of financial position and are only disclosed in the notes to the financial statements where an inflow of economic benefits is probable.

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32. Revenue recognition

Revenue comprises the fair value for services, net of value added tax. Revenue is recognized as follows:

(a) Gross Premiums

Gross premiums on life and non-life are recognised as revenue when payable by the policy holder. For single premium business, revenue is recognised on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the component policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of businesses written in prior accounting periods.

(b) Dividend income

Dividend income for available-for-sale equities is recognised when the right to receive payment is established. This is the ex-dividend date for equity securities.

(c) Deficit and surplus on actuarial valuation.

Actuarial valuation of the life fund is conducted annually to determine the net liabilities on the existing policies and the adequacy of the assets representing the insurance fund as at the date of valuation. All deficits arising there from are charged to the profit or loss account while the surplus is appropriated to the shareholders and credited to the income statement.

(d) Fees and commission income

Reinsurers and other insurance companies are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees for services provided in future periods, then they are deferred and recognised over those future periods.

(e) Investment income

Investment income includes interest, rental and dividend income received. Interest income is accounted for on a time proportionate basis that takes into account the effective yield on the asset and includes the net income earned from short term investments. Rental income on operating lease is recognised on a straight-line basis over the lease term.

33. Finance Cost

Interest paid is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

34. Reinsurance expenses

Reinsurance cost represents outward premium paid to reinsurance companies less the unexpired portion as at the end of the accounting year.

Statement of Significant Accounting Policies

Year Ended 31 December 2013

35. Underwriting expenses

This is made up of acquisition cost and maintenance expenses. Acquisition cost comprises all direct and indirect cost arising from the writing of insurance contracts. Examples of these costs include but not limited to, commission expense, supervisory levy and other technical expenses. Maintenance expenses are those incurred in servicing existing contract/policies. These expenses are charged in the accounting year in which they are incurred.

36. Other operating expenses

Other operating expenses include wages, professional fees, depreciation expenses etc. Other expenses are accounted for on accrual basis and recognized in the income statement upon the utilization of the service.

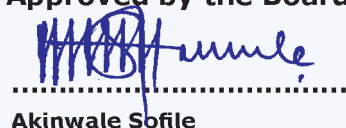
37. Pension benefit obligation and other post-employment benefits

The Group operates a contributory pension scheme for eligible employees. Employees and the Employer contribute 7.5% each of the qualifying staff salaries in line with the provisions of the Pension Reform Act 2004.

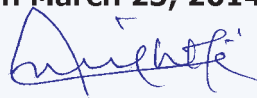
**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

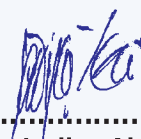
| | | Group | | Company | |
|---------------------------------|------|---------------|---------------|---------------|---------------|
| | | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| | Note | | | | |
| ASSETS | | | | | |
| Cash and cash equivalents | 8 | 3,088,378 | 3,591,189 | 568,843 | 969,296 |
| Financial assets | 9 | 2,624,118 | 1,633,253 | 1,954,094 | 1,088,655 |
| Trade receivables | 10 | 27,807 | 774,211 | - | 593,833 |
| Reinsurance assets | 11 | 3,253,969 | 1,841,513 | 2,605,651 | 1,420,577 |
| Other receivables | 12 | 545,223 | 383,941 | 505,303 | 348,697 |
| Deferred acquisition cost | 13 | 52,155 | 66,523 | 52,155 | 66,523 |
| Investment in subsidiary | 14 | - | - | 2,000,000 | 2,000,000 |
| Investment properties | 15 | 2,755,740 | 2,461,000 | 2,672,825 | 2,461,000 |
| Property and equipment | 17 | 565,348 | 586,630 | 534,335 | 543,620 |
| Statutory deposit | 18 | 500,000 | 500,000 | 300,000 | 300,000 |
| Total assets | | 13,412,738 | 11,838,260 | 11,193,206 | 9,792,201 |
| LIABILITIES | | | | | |
| Investment contract liabilities | 19 | 1,048,148 | 994,930 | - | - |
| Insurance contract liabilities | 20 | 5,065,707 | 4,073,335 | 3,778,683 | 2,845,199 |
| Trade payables | 21 | 226,882 | 237,451 | 27,113 | 36,392 |
| Deffered commission income | 22 | 91,992 | 60,008 | 60,657 | 60,008 |
| Other payables | 23 | 189,645 | 65,273 | 776,819 | 771,003 |
| Deferred tax liabilities | 16 | 145,862 | 110,526 | 139,934 | 105,235 |
| Employee benefit liabilities | 24 | 565,665 | 528,777 | 457,268 | 417,884 |
| Current income tax liabilities | 25 | 202,919 | 170,604 | 153,812 | 129,591 |
| Total liabilities | | 7,536,820 | 6,240,904 | 5,394,286 | 4,365,312 |
| EQUITY | | | | | |
| Issued share capital | 26a | 3,667,172 | 3,667,172 | 3,667,172 | 3,667,172 |
| Share premium | 26b | 940,612 | 940,612 | 940,612 | 940,612 |
| Contingency reserve | 26c | 858,608 | 730,817 | 796,292 | 684,739 |
| Revaluation reserve | 26d | 493,052 | 469,052 | 493,052 | 469,052 |
| Fair value reserve | 26e | 351,778 | 372,556 | 289,582 | 212,955 |
| Retained earnings | 26f | (435,304) | (582,853) | (387,790) | (547,642) |
| Shareholders' Funds | | 5,875,918 | 5,597,356 | 5,798,920 | 5,426,888 |
| Non controlling interest | | - | - | - | - |
| | | 5,875,918 | 5,597,356 | 5,798,920 | 5,426,888 |
| | | 13,412,738 | 11,838,260 | 11,193,206 | 9,792,201 |

Approved by the Board of Directors on March 25, 2014


Akinwale Sofile

 Chief Financial Officer
 FRC/2012/ICAN/000000000494


Babajide Wright
 Executive Director
 FRC/2013/CIIN/000000004388


Olusola Ladipo Ajayi
 Group Managing Director (CEO)
 FRC/2013/CIIN/000000001960

The accounting policies on pages 27 to 44 and the accompanying notes on pages 48 to 96 form part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | | Group | | Company | |
|---|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Note | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| Gross premiums written | | 4,965,328 | 4,437,541 | 3,341,515 | 3,137,220 |
| Unearned premium | | 376,911 | 23,111 | 376,911 | 23,111 |
| Gross insurance premium earned | | 5,342,239 | 4,460,652 | 3,718,426 | 3,160,331 |
| Reinsurance expenses | | (1,732,420) | (1,126,827) | (1,337,405) | (780,313) |
| Net insurance premium earned | 27 | 3,609,819 | 3,333,825 | 2,381,021 | 2,380,018 |
| Fees and commission income | 28 | 599,155 | 390,330 | 499,928 | 303,264 |
| Net underwriting income | | 4,208,974 | 3,724,155 | 2,880,949 | 2,683,282 |
| Claims expenses (net) | 29 | 1,880,448 | 1,945,339 | 979,729 | 908,481 |
| Underwriting expenses | 32 | 923,028 | 495,258 | 685,953 | 338,475 |
| Total underwriting expenses | | 2,803,476 | 2,440,597 | 1,665,682 | 1,246,956 |
| Underwriting profit | | 1,405,498 | 1,283,558 | 1,215,267 | 1,436,326 |
| Profit/(loss) on investment contract | 34 | 21,904 | (56,321) | - | - |
| Investment income | 35 | 309,307 | 333,879 | 151,273 | 183,516 |
| Realised gain/(loss) on financial assets | 36 | 75,414 | 35,301 | 59,778 | 33,913 |
| Other income | 37 | 360,065 | 1,692,993 | 310,627 | 1,688,322 |
| Other operating and administrative expenses | 38 | (1,759,381) | (3,469,499) | (1,336,804) | (3,189,802) |
| Profit/(loss) before taxation | | 412,807 | (180,090) | 400,141 | 152,275 |
| Taxation | 25 | (137,467) | (74,934) | (128,736) | (59,372) |
| Profit/(loss) after taxation | | 275,340 | (255,024) | 271,405 | 92,903 |
| Other comprehensive income | | | | | |
| Items that are or may be classified to profit or loss: | | | | | |
| Net fair value gain on available for sale financial assets | 26e | (20,778) | 270,547 | 76,627 | 163,574 |
| Items that will not be classified to profit or loss: | | | | | |
| Revaluation gain on property and equipment | 26d | 24,000 | 34,000 | 24,000 | 34,000 |
| Total comprehensive income for the year | | 278,562 | 49,523 | 372,032 | 290,477 |
| Profit attributable to: | | | | | |
| Owner of equity | | 278,562 | 49,523 | 372,032 | 290,477 |
| Non controlling interest | | - | - | - | - |
| | | 278,562 | 49,523 | 372,032 | 290,477 |
| Earnings per share(kobo) | 40 | | | | |
| - Actual | | 4 | (3) | 4 | 1 |
| - Adjusted | | 4 | (3) | 4 | 1 |

The accounting policies on pages 27 to 46 and the accompanying notes on pages 49 to 96 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Share capital N'000 | Share premium N'000 | Revaluation reserve N'000 | Faire value reserve N'000 | Contingency reserve N'000 | Retained earnings N'000 | Total equity N'000 |
|---|------------------------|------------------------|------------------------------|------------------------------|------------------------------|----------------------------|-----------------------|
| GROUP | | | | | | | |
| Balance as at 1 January 2013 | 3,667,172 | 940,612 | 469,052 | 372,556 | 730,817 | (582,853) | 5,597,356 |
| Total other comprehensive income for the year | - | - | - | (20,778) | - | - | (20,778) |
| Transfer from (to) retained earnings | - | - | - | - | - | 275,340 | 275,340 |
| Transfer to revaluation reserve | - | - | 24,000 | - | - | - | 24,000 |
| Transfer to contingency reserve | - | - | - | - | 127,791 | (127,791) | - |
| Transaction with owner of business: | | | | | | | |
| - Dividend | - | - | - | - | - | - | - |
| - Issue of share capital | - | - | - | - | - | - | - |
| Balance as at 31 December 2013 | 3,667,172 | 940,612 | 493,052 | 351,778 | 858,608 | (435,304) | 5,875,918 |

| | | | | | | | |
|---|------------------|----------------|----------------|----------------|----------------|------------------|------------------|
| COMPANY | | | | | | | |
| Balance as at 1 January 2013 | 3,667,172 | 940,612 | 469,052 | 212,955 | 684,739 | (547,642) | 5,426,888 |
| Total other comprehensive income for the year | - | - | - | 76,627 | - | - | 76,627 |
| Transfer from (to) retained earnings | - | - | - | - | - | 271,405 | 271,405 |
| Transfer to revaluation reserve | - | - | 24,000 | - | - | - | 24,000 |
| Transfer to contingency reserve | - | - | - | - | 111,553 | (111,553) | - |
| Transaction with owner of business: | | | | | | | |
| - Dividend | - | - | - | - | - | - | - |
| - Issue of share capital | - | - | - | - | - | - | - |
| Balance as at 31 December 2013 | 3,667,172 | 940,612 | 493,052 | 289,582 | 796,292 | (387,790) | 5,798,920 |

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Note | Group 2013 N'000 | Group 2012 N'000 | Company 2013 N'000 | Company 2012 N'000 |
|---|------|------------------------|------------------------|--------------------------|--------------------------|
| Cash flow from operating activities | | | | | |
| Premium received from policy holders | | 4,676,187 | 4,830,084 | 3,127,185 | 3,437,692 |
| Reinsurance receipts in respect of claims | | (999,329) | 331,213 | (1,152,723) | 48,806 |
| Reinsurance cost | | (1,732,420) | (1,126,827) | (1,337,405) | (780,313) |
| Cash paid to and on behalf of employees | | (619,928) | (667,482) | (503,787) | (574,482) |
| Other operating cash payments/receipts | | 1,623,556 | (2,842,372) | 1,487,893 | (3,142,175) |
| Claims paid | | (2,417,615) | (1,365,229) | (1,163,700) | (334,725) |
| Tax paid | | (69,816) | - | (69,816) | - |
| Net cash provided by operating activities | 44 | 460,635 | (840,613) | 387,647 | (1,345,197) |
| Cash flow from investing activities | | | | | |
| Purchase of property and equipment | 17 | (97,124) | (202,316) | (88,175) | (175,561) |
| Improvement to investment properties | | (9,215) | - | (9,215) | - |
| Sale of property and equipment | | 40,882 | 32 | 37,310 | 32 |
| Purchase of investment properties | | (82,915) | - | - | - |
| Sale of investment properties | | - | 61,250 | - | 61,250 |
| Purchase of bond | | (230,000) | (315,000) | (25,000) | (100,000) |
| Change in held to maturity - fixed deposit | | (779,924) | - | (779,924) | - |
| Dividend received | | 52,536 | 54,034 | 43,656 | 54,034 |
| Interest received | | 142,314 | 102,164 | 33,248 | 102,164 |
| Net cash provided by investing activities | | (963,446) | (299,836) | (788,100) | (58,081) |
| Cash flow from financing activities | | | | | |
| Interest on overdraft | | - | - | - | - |
| Issue of share capital | | - | - | - | - |
| Net cash used in financing activities | | - | - | - | - |
| Net increase/(decrease) in cash and cash equivalents | | | | | |
| Cash and cash equivalents at the beginning of the year | | (502,811) | (1,140,449) | (400,453) | (1,403,278) |
| | | 3,591,189 | 4,731,638 | 969,296 | 2,372,574 |
| Cash and cash equivalents at the end of the year | | 3,088,378 | 3,591,189 | 568,843 | 969,296 |
| Represented by: | | | | | |
| Cash and cash equivalents | | 3,088,378 | 3,591,189 | 568,843 | 969,296 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. General information

LASACO Assurance Plc was incorporated on 20th December, 1979. The group commenced operations on 1st August, 1980.

In LASACO Group, we transact all classes of Insurance businesses, in addition to conducting Real Estate Business and High Impact Financial Services.

The combined authorized share capital in the Group is in excess of N5 billion with a paid-up share capital of N3.667million

The Group business plans, programs and processes have equally undergone major upgrades and modernization to enhance our efficiency, competitiveness, and earning capacity.

LASACO client cuts across all sectors of the economy, and in the last few years, made significant inroad in the Oil and Gas and Public Sectors, where we lead some major insurance businesses.

LASACO Assurance Plc vision is to transform and grow the LASACO Group into a World-Class Financial Services Mega Group.

The issuance of these Group consolidated financial statements were authorized by the Board of Directors on March 25, 2014

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are disclosed on pages 27 – 44.

These policies have been consistently applied to all the years presented unless otherwise stated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013****3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS****(A) Fair Value of Financial Assets****(i) Financial assets at fair value through profit or loss**

This includes financial assets held for trading. Investments typically bought with the intention to sell in the near future are classified as held for trading; these investments are initially recorded at fair value and are subsequently re-measured at fair value. Fair value adjustments and realized gains and losses are recognized in the income statement. The group evaluates its financial assets at fair value through profit and loss (held for trading) when there is an intent to sell them in the nearest future. When the group is unable to trade these financial assets due to inactive markets and management intent to sell them in the foreseeable future significantly changes, the group may elect to reclassify these financial assets to loans and receivable, available-for-sale or held to maturity depending on nature of the asset.

ii Available-for-sale financial assets.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial assets are subsequently measured at fair value. The group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term would still be appropriate. In the case where the group is unable to trade these financial assets due to inactive markets or management's intention significantly changes to do so in the foreseeable future, the group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meets the definition of loans and receivables; the reclassification to 'held to maturity' is permitted only when the entity has the ability and intention to hold the financial assets until maturity.

iii Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortized cost, using the effective interest rate method (EIR) less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. Gains and losses are recognised in the income statement when the investments are derecognised or impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

iv Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as held to maturity when the group has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment.

All transactions costs directly attributable to acquisition are also included in the cost of investment. After initial measurement, held to maturity financial assets are measured at amortised cost, using the effective interest rate method, less impairment. Gains and losses are recognised in the income statement when investments are derecognised or impaired.

(B) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in payment status or economic conditions that correlate with defaults.

(C) Valuation of Investment Contract Liabilities

Unitised investment contract fair values are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit-linked fund. Non-unitised investment contract fair values are determined by using valuation techniques, such as discounted cash flow methods and stochastic modelling. A variety of factors are considered in these valuation techniques, including time value of money, volatility, policyholder behaviour, servicing cost and fair values of similar instruments.

Certain incremental acquisition costs and sales enhancements that are directly attributable to securing an investment management service are also deferred and recorded in deferred expenses. These deferred costs are amortized over the period in which the service is provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(D) Valuation of Employee Benefits Liability

The valuation assumptions fall under two broad categories.

- Financial Assumptions
- Demographic Assumptions

Financial Assumptions

| Long Term Average | 31.12.2013 | 31.12.2012 |
|-------------------------------|------------|------------|
| Discount Rate (p.a) | 13% | 13.5% |
| Rate of Salary Increase (p.a) | 12% | 12% |
| Rate of Inflation (p.a) | 9% | 10% |

In order to measure the liability, the projected benefit was discounted to a net present value as at the current balance sheet date, using an interest assumption (called the discount rate).

The discount rate is determined on the balance sheet date by reference to market yields on high quality corporate bonds (except where there is no deep market in such bonds, in which case the discount rate is based on market yields on Government bonds) the discount rate therefore reflect the duration of the liabilities of the benefit programme.

The weighted average liability duration for the plan is **9.47** years. The average weighted duration of the longest Nigerian Government bond as at 31st December, 2013 was 6.63 years with a gross redemption yield of 13.25%. That is the benefit liability term is longer than equivalent risk free assets – the longer term introduces uncertainty – which could be reflected in higher yield.

A discount rate of 13.5% has been adopted for the current valuation.

Salaries on average, in the long term, have been assumed to increase at a rate of 3% above inflation.

Demographic Assumptions Mortality in Service

The rates of mortality assumed for employees are the rates published in the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries in the UK. This has been rated down by one year to more accurately reflect mortality in Nigeria.

| Sample age | Number of deaths in year of age out of 10,000 lives |
|------------|--|
| 25 | 7 |
| 30 | 7 |
| 35 | 9 |
| 40 | 14 |
| 45 | 26 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Withdrawal from Service

| <u>Age Band</u> | | | <u>Rate</u> |
|-----------------------|----|--|-------------|
| Less than or equal to | 30 | | 6.0% |
| 31 - | 39 | | 5.0% |
| 40 - | 44 | | 3.0% |
| 45 - | 55 | | 1.0% |
| 56 - | 60 | | 0.0% |

(E) Deferred tax liabilities

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the related deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilized.

(F) Premium Receivable

They are initially recognized at fair value and subsequently measured at amortized cost less provision for impairment. A provision for impairment is made when there is an objective evidence that the company will not be able to collect all the amount due under the original terms of the invoice. Allowances are made based on the impairment model which considers the loss given default for each customer, probability of default for the sector which the customer belongs and emergence period which serve as an impairment trigger based on the age of the debt. Any debt that is over 30 days in this instance is considered impaired.

(G) Liabilities arising from Insurance Contracts

(i) Claims arising from no-life insurance contracts:

Liabilities for unpaid claims are estimated on case by case basis. The reserve made for claims fluctuate base on the nature and severity of the claim reported. Claims incurred but not reported are determined using statistical analyses and which reserve the Group deems adequate.

(ii) Liabilities arising from Life Insurance contracts

The liabilities for life insurance contracts are estimated using appropriate and acceptable base tables of standard mortality according to the type of contract been written. Management makes various assumptions such as expenses, inflation, interest rate, mortality, and further mortality improved in estimating the required reserves for life contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

4 RISK MANAGEMENT FRAMEWORK (CON'T D)

The operations of the Company are subject to regulatory requirements within Nigeria. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive reserves (e.g., contingency reserve, limits on recognition of revaluation reserves for solvency purposes and distribution to shareholders of actuarial surpluses) to minimise the risk of default and insolvency on the part of insurance companies and to meet unforeseen liabilities as they arise.

The principal technique of the Company's Assets and Liabilities matching ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

The Company's ALM is integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities. An integral part of the insurance risk management policy is to ensure, in each period, sufficient cash flow is available to meet liabilities arising from insurance and investment contracts.

Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract. The company's retention limit is presently =N=10million on any one life (Subject to change from time to time).

Underwriting risk appetite is defined based on underwriting objectives, business acceptance guidelines, retention guidelines, net retention capacity, annual treaty capacity, regulatory guidelines, other operational considerations and the judgement of the board and senior management.

Each year, as part of the planning process, the Executive Risk Management (ERM) committee and senior management review the underwriting strategy of core insurance businesses taking into account profit, growth and risk appetite considerations. The review is carried out for each major class of business and approved by the committee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

Life insurance contracts

Life insurance contracts offered by the Company include: whole life and term assurance; Whole life and term assurance are conventional regular premium products whereas lump sum benefits are payable in the event of death or permanent disability.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets.

- **Mortality risk** – risk of loss arising due to policyholders' death experience being different from expected;
- **Morbidity risk** – risk of loss arising due to policyholder health experience being different from expected;
- **Longevity risk** – risk of loss arising due to the annuitant living longer from expected;
- **Investment return risk** – risk of loss arising from actual returns being different from expected;
- **Expense risk** – risk of loss arising from expense experience being different from expected
- **Policyholder decision risk** – risk of loss arising due to policyholder experiences (lapses and surrenders) being different from expected

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured or by industry.

The Company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Company.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Company's wide reinsurance limit of N10,000,000 (ten million naira) on any single life insured is in place.

The insurance risk described above is also affected by the contract holder's right to pay reduced premiums or no future premiums, to terminate the contract completely or to exercise guaranteed annuity options. As a result, the amount of insurance risk is also subject to contract holders' behaviour.

Key assumptions

Material judgment is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

• Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Company's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.

• Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect the Company's own risk experience. An appropriate but not excessive prudent allowance is made for expected future improvements. Assumptions are differentiated by sex, underwriting class and contract type.

An increase in longevity rates will lead to an increase in the number of annuity payments made, which will increase the expenditure and reduce profits for the shareholders.

• Investment return

The weighted average rate of return is derived based on a model portfolio that assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments.

An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.

• Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

• Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Company's own risk exposure.

A decrease in the discount rate will increase the value of the insurance liability and therefore reduce profits for the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CONT'D) (which comprise general insurance)

The Company principally issues the following types of general insurance contracts: motor, fire, marine and aviation, Oil and Gas, General Accidents, bonds etc.

Risks under non-life insurance policies usually cover twelve months duration. For general insurance contracts, the most significant risks arise from climate changes, natural disasters and terrorist activities. For longer term claims that take some years to settle, there is also inflation risk. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical

science and technology improvements.

These risks do not vary significantly in relation to the location of the risk insured by the Company,

type of risk insured and by industry.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry

sectors and geography.

Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract

liabilities.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic

events (e.g., flood damage)

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by the Board. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 40% of shareholders' equity on a gross basis and 10% on a net basis. In the event of such a catastrophe, counterparty exposure to a single reinsurer is estimated not to exceed 2% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D) TABLE 1

The table below sets out the concentration of non-life insurance contract liabilities by type:of contract

| | 31-Dec-13 | | | 31-Dec-12 | | |
|---------------------|-------------------------------|-------------------------------------|-----------------------------|-------------------------------|-------------------------------------|-----------------------------|
| | Gross liabilities N'000 | Reinsurance liabilities N'000 | Net liabilities N'000 | Gross liabilities N'000 | Reinsurance liabilities N'000 | Net liabilities N'000 |
| Motor | 137,736 | 10,192 | 127,544 | 171,980 | - | 171,980 |
| Fire | 420,105 | 188,513 | 231,592 | 249,266 | 17,984 | 231,282 |
| General accident | 1,001,439 | 554,510 | 446,929 | 349,798 | 4,214 | 345,584 |
| Marine and aviation | 65,331 | 4,691 | 60,640 | 117,888 | 199 | 117,689 |
| Oil and gas | 2,154,072 | 924,939 | 1,229,133 | 1,956,267 | 696,208 | 1,260,059 |
| Total | 3,778,683 | 1,682,845 | 2,095,838 | 2,845,199 | 718,605 | 2,126,594 |

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement.

Sensitivities

The non-life insurance claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and incurred but not reported IBNR for each successive accident year at each reporting date, together with cumulative payments to date.

The Company has taken advantage of the transitional rules of IFRS 4 that permit only five years of information to be disclosed upon adoption of IFRS.

In setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

However, due to the uncertainty inherited in the estimation process, the actual overall claim provision may not always be in surplus.

Fire

| | Development | | | | | | | | |
|-----------------|-------------|------------|------------|------------|------------|------------|------------|-----------|---|
| Accident Period | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2005 | - | - | - | - | - | - | - | - | - |
| 2006 | - | 2,092,422 | 6,661,715 | 6,661,715 | 6,661,715 | 6,661,715 | 6,661,715 | 6,661,715 | |
| 2007 | 7,151,439 | 37,027,334 | 37,027,334 | 37,513,334 | 37,513,334 | 37,513,334 | 37,513,334 | | |
| 2008 | 18,219,043 | 41,103,799 | 48,485,174 | 48,515,334 | 48,635,016 | 48,635,016 | | | |
| 2009 | 370,540 | 19,829,465 | 22,083,680 | 22,083,680 | 22,083,680 | | | | |
| 2010 | - | 3,803,531 | 9,829,875 | 9,829,875 | | | | | |
| 2011 | 3,068,484 | 10,615,814 | 32,681,276 | | | | | | |
| 2012 | 3,271,104 | 85,140,003 | | | | | | | |
| 2013 | 65,618,549 | | | | | | | | |

General Accident

| | Development | | | | | | | | |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| Accident Period | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2005 | - | - | 24,200,111 | 25,728,747 | 25,728,747 | 25,728,747 | 25,742,662 | 25,742,662 | 25,751,746 |
| 2006 | - | 103,303,272 | 153,425,279 | 165,761,922 | 166,307,518 | 166,553,131 | 166,553,131 | 166,553,131 | |
| 2007 | 48,513,752 | 97,385,083 | 126,282,099 | 128,547,881 | 129,722,992 | 130,233,251 | 130,233,251 | | |
| 2008 | 29,732,310 | 117,084,221 | 132,106,370 | 141,265,433 | 141,433,265 | 141,691,730 | | | |
| 2009 | 7,214,884 | 122,360,852 | 135,495,961 | 146,714,260 | 156,866,546 | | | | |
| 2010 | 17,462,718 | 86,452,259 | 118,134,017 | 122,156,172 | | | | | |
| 2011 | 7,058,589 | 56,147,500 | 65,241,323 | | | | | | |
| 2012 | 10,425,728 | 126,448,113 | | | | | | | |
| 2013 | 60,442,290 | | | | | | | | |

Motor

| | Development | | | | | | | | |
|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|-----------|
| Accident Period | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 2005 | - | - | 1,741,578 | 1,741,578 | 1,741,578 | 1,741,578 | 1,741,578 | 1,741,578 | 1,741,578 |
| 2006 | - | 18,373,115 | 20,977,202 | 22,977,202 | 22,977,202 | 22,977,202 | 22,977,202 | 22,977,202 | |
| 2007 | 29,963,757 | 106,373,952 | 113,514,505 | 113,603,978 | 113,603,978 | 113,603,978 | 113,603,978 | | |
| 2008 | 107,275,834 | 168,590,724 | 181,728,735 | 181,728,735 | 181,728,735 | 181,728,735 | | | |
| 2009 | 45,644,562 | 113,714,149 | 116,274,749 | 116,283,765 | 116,283,765 | | | | |
| 2010 | 55,404,267 | 80,380,277 | 81,595,528 | 81,595,528 | | | | | |
| 2011 | 64,309,735 | 79,418,237 | 82,430,242 | | | | | | |
| 2012 | 43,123,091 | 85,977,250 | | | | | | | |
| 2013 | 55,280,232 | | | | | | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2013
RISK MANAGEMENT FRAMEWORK (CON'T D)****Financial risks****Credit risk**

Credit risk is the risk of default and change in the credit quality of issuers of securities (in the Company's investment portfolio), counter-parties (e.g. on reinsurance and coinsurance contracts) and untimely or non-payment of premiums by brokers and clients.

The Company is exposed to the following categories of credit risk:

Direct Default Risk – the risk of non- receipt of the cash flows or assets to which it is entitled because brokers, clients and other debtors default on their obligations

Concentration Risk – this is the exposure to losses due to excessive concentration of business activities with individual counterparties, groups of individual counterparties or related entities, counterparties in specific geographical locations, industry sectors, specific products, etc.

Counterparty Risk – this is the risk that a counterparty is not able or willing to meet its financial obligations as they fall due.

The Company therefore ensures the establishment of principles, policies and processes and structure for the management of credit risk.

The credit risk appetite is in line with the company's strategic objectives, available resources and the provisions of NAICOM Operational Guidelines. In setting this appetite/tolerance limits, the corporate solvency level, risk capital and liquidity level , credit ratings, level of investments, reinsurance and coinsurance arrangements, and nature and categories of its clients, are taken into consideration.

The credit risk management governance structure comprises the board of Directors, Executive Risk Management ERM Committee, management risk committee, technical operations department, risk management department and the internal audit department

The Board risk Committee has the responsibility of ensuring that an appropriate, adequate and effective system of risk management and internal control which addresses credit control is established and maintained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

The Credit Risk Management process involves the identification, measurement, mitigation and control, monitoring and reporting credit risk.

The credit control unit identifies the credit risk by, amongst other functions assessing/evaluating the repayment capacity of clients/counterparties, credit policyholders, insurance brokers, etc. The evaluation entails the analysis of counterparties' financial statements cash flow, management experience and other client risk factors.

An internal credit rating scale is in place to measure the counterparty credit risk. All clients and counterparties that are to be granted credit shall be rated using the Company's risk-rating model.

The risk model comprises :

Client/counterparty risk rating: This evaluates a client's ability to meet its credit obligations, through analysis of its financial statements, cash flow statement, management capabilities and other client related risk factors.

Transaction risk rating: This defines the risk of a specific credit line by overlaying the counterparty risk rating with an analysis of factors such as credit structure and collaterals (e.g. guarantees, and equitable and legal mortgages).

The following risk mitigation and control activities are in place to effectively manage exposures to default risk: client evaluation, credit analysis, credit limit setting, credit approval, Security management, and provision for impairment

The quality and performance of credit portfolios is monitored to identify early signs of decline in credit quality. Such activities include the review of ageing report, credit portfolio quality and delinquency management.

A Company credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Net exposure limits are set for each counterparty or Company of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits).

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The Company sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

Credit exposure

The table below shows the maximum exposure to credit risk for the components of the statement of financial position and items such as future commitments. The maximum exposure is shown gross, before the effect of mitigation of credit risk.

| 31 December 2013 | |
|-------------------------------------|-------------------------|
| | N'000 |
| Financial instruments | |
| Cash and cash equivalents | 3,088,378 |
| Held to maturity financial assets | 1,574,924 |
| Loans and receivables | 59,101 |
| Available-for-sale financial assets | 990,093 |
| Reinsurance assets | 3,253,969 |
| Insurance receivables | 27,807 |
| Total credit risk exposure | <u>8,994,272</u> |
| 31 December 2012 | |
| | N'000 |
| Financial instruments | |
| Cash and cash equivalents | 3,591,189 |
| Held to maturity financial assets | 565,000 |
| Loans and receivables | 70,553 |
| Available-for-sale financial assets | 997,700 |
| Reinsurance assets | 1,841,513 |
| Insurance receivables | 774,211 |
| Total credit risk exposure | <u>7,840,166</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

Impaired financial assets

At 31 December 2013, there were no impaired reinsurance assets (2012: nil) likewise there were no impaired loans and receivables (2012: N57million). The Company records impairment allowances for insurance receivables in a separate impairment allowance account.

Liquidity risk

Liquidity risk is the inability of a business to meet its obligations on a timely basis. It is also the inability of a business to take advantage of business opportunities and sustain the growth target in its business strategy due to liquidity constraints or difficulty in obtaining funding at a reasonable cost. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

Liquidity risk exposure is strongly related to the credit and investment risk profile. For instance, an increase in our credit risk exposure may increase our liquidity risk profile; poor performance of the investment portfolio may have severe liquidity risk implications for the company

Another source of liquidity risk is the failure of insurance brokers and clients to meet their premium payment obligation as and when due.

The Company's strategy for managing liquidity risks are as follows:

Maintain a good and optimum balance between having sufficient stock of liquid assets, profitability and investment needs.

Ensure strict credit control and an effective management of receivables

Ensure unrestricted access to financial markets to raise funds

Develop and continuously update the contingency funding plan which specifies minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.

Adhere to the liquidity risk control limits

The company's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

The Liquidity Risk Management Governance Structure comprises the board of management, ERM Committee, Management Risk Committee, technical operations department, Risk management department. internal audit department.

The following early warning indicators are used to promptly identify liquidity risks:

Negative trends in cash forecast

Volume of outstanding premium

Volatile liabilities

Decline in earnings performance or projections

Exceeding liquidity limits as indicated by relevant metrics

Deteriorating third-party ratings of the company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

The following approaches are adopted to assess liquidity risk exposures:

- Liquidity ratio analysis
- Cash flow analysis
- Scenario and sensitivity analysis

Liquidity ratios are used to assess the ability to meet short-term obligations. The relevant ratios include the following:

- Claims ratio
- Receivables to capital ratio,
- Ratio of technical provision to capital,
- Maximum exposure for single risk to capital ratio
- Maximum exposure for a single event to capital ratio
- Retention rate

Cash flow analysis shows the net future cash flows of various time-bands. It (cash forecasting) is used to compare cash inflows and outflows daily and over a series of time bands (weekly, monthly, quarterly, bi-annually and yearly). The Company's net funding requirement is determined by analyzing the present and future cash flows at selected maturity dates, based on assumptions about the income and expenditures. This analysis will include the cumulative net excess or shortfall over the period of the analysis.

Liquidity risk is measured by performing scenario and sensitivity analyses based on various stress factors that differ in terms of probability, severity and duration.

Scenarios are applied, based on normal business operations and on crisis, to determine the potential impact on funding requirements.

Based on the results of the stress test and scenario analysis, the following activities are performed:

- Quantify liquidity outflows in all stress scenario for each liquidity risk drive
- Identify cash inflows to close liquidity gaps under all stress scenarios
- Determine net liquidity position for each scenario

In managing liquidity risk mitigation and control, one way is having access to financial markets. This is by ensuring that the company has sufficient and unhindered access to funding from a range of sources in the financial markets, also assessing periodically the ability to obtain funds in both local and foreign currencies.

The Risk management department maintains an independent liquidity risk-reporting framework that consistently communicates liquidity risk information across the company and ensures availability of timely information for liquidity management decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

RISK MANAGEMENT FRAMEWORK (CON'T D)

Maturity profiles

The table that follows summarises the maturity profile of the non-derivative financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations, including interest payable and receivable.

For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations. The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Reinsurance assets have been presented on the same basis as insurance liabilities. Loans and receivables include contractual interest receivable.

Table 3
Maturity analysis (contractual undiscounted cash flow basis for non- derivatives)

| | Carrying Amount N'000 | Up to a year N'000 | 1-3 years N'000 | 3-5 years N'000 | 5-15 years N'000 | Over 15 years N'000 | N'000 | Total N'000 |
|---|-----------------------------|--------------------------|-----------------------|-----------------------|------------------------|---------------------------|----------------|------------------|
| 31 December 2013 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash and cash Equivalent | 3,088,348 | 3,088,348 | - | - | - | - | - | 3,088,348 |
| Held-to-maturity | 1,574,924 | 779,924 | 795,000 | - | - | - | - | 1,574,924 |
| Loans and receivables | 59,101 | 59,101 | - | - | - | - | - | 59,101 |
| | | | | | | | | - |
| Available- for- sale financial assets | 990,093 | - | - | - | - | - | 990,093 | 990,093 |
| Trade receivables | 27,807 | 27,807 | - | - | - | - | - | 27,807 |
| Reinsurance assets | 3,253,969 | 3,253,969 | - | - | - | - | - | 3,253,969 |
| | <u>8,994,242</u> | <u>7,209,149</u> | <u>795,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>990,093</u> | <u>8,994,242</u> |
| Financial liabilities | | | | | | | | |
| Trade payables | 226,882 | 226,882 | - | - | - | - | - | 226,882 |
| Insurance contract liabilities | 5,065,707 | 5,065,707 | - | - | - | - | - | 5,065,707 |
| Other payables | 281,637 | 281,637 | - | - | - | - | - | 281,637 |
| | <u>5,574,226</u> | <u>5,574,226</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,574,226</u> |
| 31 December 2012 | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash and cash Equivalent | 3,591,189 | 3,591,189 | - | - | - | - | - | 3,591,189 |
| Financial assets at fair value through profit and loss | - | - | - | - | - | - | - | - |
| Held-to-maturity | 565,000 | 565,000 | - | - | - | - | - | 565,000 |
| Loans and receivables | 70,553 | 70,553 | - | - | - | - | - | 70,553 |
| | | | | | | | | - |
| Available- for- sale financial assets | 997,700 | - | - | - | - | - | 997,700 | 997,700 |
| Trade receivables | 774,211 | 774,211 | - | - | - | - | - | 774,211 |
| Reinsurance assets | 1,841,513 | 1,841,513 | - | - | - | - | - | 1,841,513 |
| | <u>7,840,166</u> | <u>6,842,466</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>997,700</u> | <u>7,840,166</u> |
| Financial liabilities | | | | | | | | |
| Trade payables | 237,451 | 237,451 | - | - | - | - | - | 237,451 |
| Insurance contract liabilities | 4,073,336 | 4,073,336 | - | - | - | - | - | 4,073,336 |
| Other payables | 125,280 | 125,280 | - | - | - | - | - | 125,280 |
| | <u>4,436,067</u> | <u>4,436,067</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,436,067</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

A Company market risk policy sets out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policy holders' liabilities and that assets are held to deliver income and gains for policy holders which are in line with expectations of the policy holders.

The company is active in money and capital market instruments, and investments in these instruments are basically for liquidity and held-to-maturity purposes. Therefore, the values of assets in the investment portfolio are at risk due to volatility in security prices, interest rates, and other market and economic variables.

There is a very strict control over hedging activities (e.g., equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).

A sound market/investment risk management framework is implemented in order to minimize possible losses to capital and earnings arising from volatilities in market factors. The Company stipulates diversification benchmarks by type of instrument and geographical area.

Investment risk is the risk of loss (partial or full) of the principal amount and/or expected returns due to changes in the market variables. Investment risk is managed effectively and on a proactive basis by developing and implementing investment risk management strategies, policies and processes.

Investment in money, capital and other markets would expose a company to the following sources of Investment risks:

Capital Risk

This is the risk that the company will lose all or part of the principal amount invested. For example, if the company invests N10 million into the stock market, it faces a capital risk on the entire N10 million or part of it

Portfolio Risk:

This is the risk that the investment portfolio will perform "poorly" because of poor choice of investments in the portfolio.

Inflation risk:

The risk that inflation will outpace investment returns over time and erode the purchasing power of invested funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

Liquidity Risk:

It is the risk that an investment asset cannot be sold when the need arises. The company will be exposed to liquidity risk, when there is the need to sell an investment, and the investment cannot be liquidated due to insufficient secondary market or lack of sufficient demand for such a security. Liquidity risk is the current and future risk arising from the inability to meet our financial obligations when they become due.

Credit or Default Risk

Credit risk is created by the possibility of loss due to a counter party's or issuer's default, or inability to meet contractual payment terms. Higher quality bonds, including government bonds face the lowest credit risk.

Event Risk:

Event Risk is the risk of regulatory changes or other external occurrences that are significant, unanticipated and external, which impact negatively on the value of a security.

Market Risk:

This is the risk that the value of an investment will diminish due to unfavourable changing market conditions. A stock will rise or fall in price in response to investors' sentiments or changes in the fortunes of the company or its industry

Interest rate risk:

This is the risk of exposures to the volatility of interest rates. It is the risk of the value or future cash flows of financial instruments being affected by changes in interest rates.

Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk. The Company's interest risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Company has no significant concentration of interest rate risk.

The Company's exposure to interest rate risk and a sensitivity analysis for financial liabilities is disclosed in note 6 to the financial statements.

Currency risk:

This is the risk of the fair value of financial instruments being affected by changes in foreign exchange rates.

The Company's principal transactions are carried out in naira and its exposure to foreign exchange risk is minimal. The Company's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities. This mitigates the foreign currency exchange rate risk. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

The Company has no significant concentration of currency risk.

Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Company has no significant concentration of price risk.

The Company will adopt a top down approach for defining its investment appetite. This is reviewed by senior management and approved by the Board Investment Committee (BIC) to ensure amongst other things that the investment risk assumed is commensurate with its strategy.

The following investment risk appetite statements guide the Company:-

- Except as waived by BIC after proper feasibility study, investment/trading transactions that do not fall within our target market and defined risk appetite are not undertaken, no matter how profitable the transactions may be.
- The Company does not enter into any transaction that is illegal, unethical or contravenes any applicable laws, regulations, or professional code of conduct, or is capable of damaging our corporate image or that of our key officers.
- Business is not transacted with any organisation with perceived likelihood of failure or that shows signs of going concern challenges.
- A cautious and prudent approach is adopted in engaging in investment and trading activities.

The strategic management of the Company's investment portfolio is the fundamental responsibility of the Board Investment Committee (BIC) and senior management. The investment management team is responsible for implementing our policies by executing trade and investment decisions.

In accordance with section 6(2) of the NAICOM guidelines (which is subject to future amendments), the Company shall invest in any of the following categories of investment assets:

- Bonds, bills and other securities issued or guaranteed by the Federal Government of Nigeria and the Central Bank of Nigeria.
- Bankers acceptance and commercial papers guaranteed by issuing bank.
- Quoted equities of not more than 50% of shareholders' fund.
- Unquoted equities not more than 10% of shareholders' fund.
- Property for Non-life insurance, not more than 35% of shareholders' fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

RISK MANAGEMENT FRAMEWORK (CON'T D)

In measuring investment risk, the following approaches, which are detailed in the Risk Management Framework, are used:

- Volatility
- Value at risk (VAR)
- Sensitivity analysis
- Stress testing
- Scenario testing

Investment risk exposures are mitigated by:

- Setting internal investment risk control limits
- Complying with legal investment limits
- Establishing Investment Approval Limits
- Diversification, in order to smoothen out unsystematic risk events in our portfolios
- Clear separation of duties between the unit that initiates and executes trade, and the units that accounts for trade transactions and handles transaction settlement.

The risk management department is responsible for monitoring investment risk exposures while the financial control department provides relevant information to the risk management department for investment risk monitoring.

Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**
5. CAPITAL MANAGEMENT

The Company's objectives with respect to capital management are to maintain a capital base that is structured to exceed regulatory stipulations and to best utilize capital allocations.

Insurance industry regulator measures the financial strength of Non-life insurers using a solvency margin model, NAICOM generally expect non-life insurers to comply with this capital adequacy requirement. This test compares insurers' capital against the risk profile. The regulator stipulates that insurers should produce a minimum solvency margin of 100%. During the year, the Company has consistently exceeded this minimum. The regulator has the authority to request more extensive reporting and can place restrictions on the Company's operations if the Company falls below this requirement as deemed necessary.

The solvency margin for the Company as at 31 December 2013 is as follows:

| | 31-Dec-2013 | | |
|---------------------------------|------------------------|-----------------------------|------------------------------------|
| ASSETS: | TOTAL N'000 | ADMISSIBLE N'000 | IN ADMISSIBLE N'000 |
| Cash and cash equivalents | 568,843 | 568,843 | - |
| Financial assets | 1,954,094 | 1,954,094 | - |
| Insurance receivables | - | - | - |
| Reinsurance assets | 2,614,189 | 2,614,189 | - |
| Other receivables | 496,765 | - | 496,765 |
| Deferred acquisition cost | 52,155 | 52,155 | - |
| Investment in subsidiary | 2,000,000 | 2,000,000 | - |
| Investment properties and land | 2,999,135 | 1,000,000 | 1,999,135 |
| Property and equipment | 208,025 | 208,025 | - |
| Statutory deposit | 300,000 | 300,000 | - |
| Total assets | 11,193,206 | 8,697,306 | 2,495,900 |
| LIABILITIES | | | |
| Investment contract liabilities | - | - | - |
| Insurance contract liabilities | 3,778,683 | 3,778,683 | - |
| Trade payables | 27,113 | 27,113 | - |
| Deferred commission income | 60,657 | 60,657 | - |
| Other payables | 776,819 | 776,819 | - |
| Deferred tax liabilities | 139,934 | - | 139,934 |
| Employee benefit liabilities | 457,268 | 457,268 | - |
| Current income tax liabilities | 153,812 | 153,812 | - |
| Total liabilities | 5,394,286 | 5,254,352 | 139,934 |
| SOLVENCY MARGIN | | | 3,442,954 |
| REQUIRED | | | 3,000,000 |
| SURPLUS | | | 442,954 |
| SOLVENCY RATIO | | | 115% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

5. CAPITAL MANAGEMENT (Cont'd)

The Company further developed an internal capital adequacy model that assesses the risk of assets, policy liabilities and other exposures by applying various factors. The model calculates the capital required for each class of the broad risks identified by the Company and aggregates through co-variance methodology that considers the relationship between these risk categories.

As at year end, the Company showed a positive solvency margin of N2,433billion and a solvency ratio of 181% which is higher than the regulators capital adequacy requirements.

6. FINANCIAL ASSETS AND LIABILITIES

Accounting classification measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

| | Notes | N'000 | Loans and receivables N'000 | Available-for-sale N'000 | Other financial liabilities at amortised cost N'000 | Total carrying amount N'000 | Fair value amount N'000 |
|---|-------------|------------------|--------------------------------|-----------------------------|---|-----------------------------------|-------------------------------|
| 31 December 2013 | | | | | | | |
| Cash and cash equivalents | 8 | - | - | - | - | 3,088,378 | 3,088,378 |
| Financial assets | 9 | 1,574,924 | 59,101 | 990,093 | - | 2,624,118 | 2,624,118 |
| Trade receivables | 10 | - | - | - | - | 27,807 | 27,807 |
| Other receivables excluding prepayments | 12 | - | - | - | - | 531,086 | 531,086 |
| | | 1,574,924 | 59,101 | 990,093 | - | 6,271,389 | 6,271,389 |
| Insurance contract liabilities | 20 | - | - | - | 5,065,707 | 5,065,707 | 5,065,707 |
| Investment contract liabilities | 19 | - | - | - | 1,048,148 | 1,048,148 | 1,048,148 |
| Trade and other payables | 21,22,23,24 | - | - | - | 1,074,184 | 1,074,184 | 1,074,184 |
| | | - | - | - | 7,188,039 | 7,188,039 | 7,188,039 |
| Group | | | | | | | |
| 31 December 2012 | | | | | | | |
| Cash and cash equivalents | 8 | - | - | - | - | 3,591,189 | 3,591,189 |
| Financial assets | 9 | 565,000 | 70,553 | 997,700 | - | 1,633,253 | 1,633,253 |
| Trade receivables | 10 | - | - | - | - | 774,211 | 774,211 |
| Other receivables excluding prepayments | 12 | - | - | - | - | 358,197 | 358,197 |
| | | 565,000 | 70,553 | 997,700 | - | 6,356,850 | 6,356,850 |
| Insurance contract liabilities | 20 | - | - | - | 4,073,336 | 4,073,336 | 4,073,336 |
| Trade and other payables | 21,22,23,24 | - | - | - | 891,509 | 891,509 | 891,509 |
| Investment contract liabilities | 19 | - | - | - | 994,930 | 994,930 | 994,930 |
| | | - | - | - | 5,959,775 | 5,959,775 | 5,959,775 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

6. FINANCIAL ASSETS AND LIABILITIES (CON'TD)

Accounting classification measurement basis and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

| Company 31 December 2013 | Notes | Held-to-maturity N'000 | Loans and receivables N'000 | Available-for-sale N'000 | Other financial liabilities at amortised cost N'000 | Total carrying amount N'000 | Fair value amount N'000 |
|---|-------------|---------------------------|--------------------------------|-----------------------------|--|--------------------------------|----------------------------|
| Cash and cash equivalents | 8 | - | - | - | - | 568,843 | 568,843 |
| Financial assets | 9 | 1,104,924 | 34,337 | 814,833 | - | 1,954,094 | 1,954,094 |
| Other receivables excluding prepayments | 12 | - | - | - | - | 494,744 | 494,744 |
| | | <u>1,104,924</u> | <u>34,337</u> | <u>814,833</u> | <u>-</u> | <u>3,017,681</u> | <u>3,017,681</u> |
| Insurance contract liabilities | 20 | - | - | - | 3,778,677 | 3,778,677 | 3,778,677 |
| Trade and other payables | 21,22,23,24 | - | - | - | 1,321,857 | 1,321,857 | 1,321,857 |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,100,534</u> | <u>5,100,534</u> | <u>5,100,534</u> |
| Company 31 December 2012 | | | | | | | |
| Cash and cash equivalents | 8 | - | - | - | - | 969,296 | 969,296 |
| Financial assets | 9 | 300,000 | 66,240 | 722,415 | - | 1,088,655 | 1,088,655 |
| Trade receivables | 10 | - | - | - | - | 593,833 | 593,833 |
| Other receivables excluding prepayments | 12 | - | - | - | - | 13,079 | 13,079 |
| | | <u>300,000</u> | <u>66,240</u> | <u>722,415</u> | <u>-</u> | <u>2,664,863</u> | <u>2,664,863</u> |
| Insurance contract liabilities | 20 | - | - | - | 2,845,199 | 2,845,199 | 2,845,199 |
| Trade and other payables | 21,23 | - | - | - | 1,285,287 | 1,285,287 | 1,285,287 |
| | | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,130,486</u> | <u>4,130,486</u> | <u>4,130,486</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

7.SEGMENT INFORMATION - COMPANY

Segment Information

Following the management approach of IFRS 8, the company is organised into five operating segments. These segments distribute their products through various forms of brokers, agencies, and direct marketing programs. Management identifies its reportable segments by product line. These segments and their respective operations for the year ended 31 December, 2013 are as follows:

- Fire
- General accident
- Motor vehicle
- Oil and gas
- Marine and aviation

| | Fire N'000 | General Accident N'000 | Motor Vehicle N'000 | Oil and Gas N'000 | Marine and Aviation N'000 | Total N'000 |
|--|---------------|------------------------------|---------------------------|-------------------------|---------------------------------|------------------|
| Gross premium earned | 249,943 | 955,389 | 457,399 | 1,938,870 | 116,825 | 3,718,426 |
| Insurance premium ceded to reinsurers | (48,354) | (257,650) | (83,686) | (924,116) | (23,599) | (1,337,405) |
| Net insurance premium revenue | 201,589 | 697,739 | 373,713 | 1,014,754 | 93,226 | 2,381,021 |
| Fee Income and commission | 9,574 | 81,771 | 16,185 | 383,680 | 8,718 | 499,928 |
| Investment returns | 4,560 | 17,432 | 8,346 | 35,376 | 2,132 | 67,846 |
| Net income | 215,723 | 796,942 | 398,244 | 1,433,810 | 104,076 | 2,948,795 |
| Insurance benefits and claims paid | 169,553 | 199,795 | 101,678 | 676,300 | 16,374 | 1,163,700 |
| Outstanding claims | 28,467 | 161,441 | (7,110) | 225,882 | (62,529) | 346,151 |
| Insurance claims recovered from reinsurers | (109,496) | (31,929) | (34,554) | (350,877) | (3,266) | (530,122) |
| Net insurance benefits and claims | 88,524 | 329,307 | 60,014 | 551,305 | (49,421) | 979,729 |
| Underwriting expenses | 73,669 | 269,996 | 105,113 | 203,642 | 33,533 | 685,953 |
| Total expenses | 162,193 | 599,303 | 165,127 | 754,947 | (15,888) | 1,665,682 |
| Reportable segment profit | 53,530 | 197,639 | 233,117 | 678,863 | 119,964 | 1,283,113 |

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 8. CASH AND CASH EQUIVALENTS | | | | |
| Cash in hand | 30 | 468 | 30 | 292 |
| Due from banks and other financial institutions (note 8.1) | 3,088,348 | 3,590,721 | 568,813 | 969,004 |
| | 3,088,378 | 3,591,189 | 568,843 | 969,296 |
| 8.1 Due to banks and other financial institutions | | | | |
| Balances held with banks in Nigeria | 288,174 | 1,007,358 | 78,815 | 520,649 |
| Short-term investments | 2,800,174 | 2,583,363 | 489,998 | 448,355 |
| | 3,088,348 | 3,590,721 | 568,813 | 969,004 |
| Short-term deposit are made for varying period of one day and three months depending on the immediate cash requirement of the group. | | | | |
| For the purpose of cashflows, cash and cash equivalents include | 3,088,378 | 3,591,189 | 568,843 | 969,296 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Group | | Company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 9. FINANCIAL ASSETS | | | | |
| The group financial assets are summarised below by measurement category: | | | | |
| Held to maturity (Note 9.1) | 1,574,924 | 565,000 | 1,104,924 | 300,000 |
| Loans and receivables (Note 9.2) | 59,101 | 70,553 | 34,337 | 66,240 |
| Available for sale financial asset (Note 9.3) | 990,093 | 997,700 | 814,833 | 722,415 |
| | 2,624,118 | 1,633,253 | 1,954,094 | 1,088,655 |
| 9.1 Held to maturity | | | | |
| Government securities | 795,000 | 565,000 | 325,000 | 300,000 |
| Fixed deposits | 779,924 | - | 779,924 | - |
| | 1,574,924 | 565,000 | 1,104,924 | 300,000 |
| Due within 12 months | 779,924 | - | 779,924 | - |
| Due after 12 months | 795,000 | 565,000 | 325,000 | 300,000 |
| | 1,574,924 | 565,000 | 1,104,924 | 300,000 |
| 9.2 Loan and receivables | | | | |
| Staff loan | 115,982 | 128,061 | 91,218 | 123,748 |
| Allowance for impairment (note 9.2a) | (56,881) | (57,508) | (56,881) | (57,508) |
| | 59,101 | 70,553 | 34,337 | 66,240 |
| Due within 12 months | 59,101 | 35,417 | 34,337 | 35,417 |
| Due after 12 months | - | 35,136 | - | 30,823 |
| | 59,101 | 70,553 | 34,337 | 66,240 |

For loans and receivables exceeding 12 months, the estimated fair values of the loans and receivables are the discounted amount of the estimated future cashflows expected to be received. Expected cashflows are discounted at current market rates to determine fair value.

For loans and receivables with maturity period of below 12 months, no discounting factor was applied.

9.2a Movement on the provision for impaired loans and receivables are as follows:

| | Staff loan N'000 | Total N'000 |
|---|-----------------------------|------------------------|
| Group | | |
| At beginning of year | 57,508 | 57,508 |
| Amount written off during the year as uncollectible | - | - |
| Unused amount reversed | (627) | (627) |
| At end of year | 56,881 | 56,881 |
| Company | | |
| At beginning of year | 57,508 | 57,508 |
| Amount written off during the year as uncollectible | - | - |
| Unused amount reversed | (627) | (627) |
| At end of year | 56,881 | 56,881 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

| | Group | | Company | |
|----------------------|----------------|---------------|----------------|---------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| Listed | 691,038 | 697,096 | 606,925 | 489,928 |
| Unlisted | 299,055 | 300,604 | 207,908 | 232,487 |
| | 990,093 | 997,700 | 814,833 | 722,415 |
| Due within 12 months | - | - | - | - |
| Due after 12 months | 990,093 | 997,700 | 814,833 | 722,415 |

The Group investment in unquoted equity financial instrument could not be fair valued as there were no observable data for which the entity could be fair valued. The carrying amount was based on cost less impairment.

9.4 The movement in investment securities is summarised as follows:

| | Held to maturity N'000 | Loans and receivables N'000 | Available for sale N'000 | Total N'000 |
|---------------------------------|------------------------------|-----------------------------------|--------------------------------|----------------|
| Group | | | | |
| At beginning of year | 565,000 | 70,553 | 997,700 | 1,633,253 |
| Additions | 1,009,924 | 45,429 | 62,045 | 1,117,398 |
| Disposals (sale and redemption) | - | - | (83,375) | (83,375) |
| Fair value gains/losses | - | - | 100,796 | 100,796 |
| Impairment losses | - | (56,881) | (87,072) | (143,953) |
| At end of year | 1,574,924 | 59,101 | 990,093 | 2,624,118 |
| Company | | | | |
| At beginning of year | 300,000 | 66,240 | 722,415 | 1,088,655 |
| Additions | 804,924 | 24,978 | - | 829,902 |
| Disposals (sale and redemption) | - | - | (65,386) | (65,386) |
| Fair value gains/losses | - | - | 182,493 | 182,493 |
| Impairment losses | - | (56,881) | (24,579) | (81,460) |
| At end of year | 1,104,924 | 34,337 | 814,943 | 1,954,204 |
| | Group | | Company | |
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |

10. Trade receivables

| | | | | |
|--------------------------------------|--------------------|-------------|--------------------|-------------|
| Due from agents | - | 212,140 | - | 150,451 |
| Due from brokers | 2,230,171 | 2,796,214 | 2,202,364 | 2,295,296 |
| Due from others | - | - | - | 350,450 |
| | 2,230,171 | 3,008,354 | 2,202,364 | 2,796,197 |
| Allowance for impairment (note 10.a) | (2,202,364) | (2,234,143) | (2,202,364) | (2,202,364) |
| | 27,807 | 774,211 | - | 593,833 |
| Due within 12 months | 27,807 | 774,211 | - | 593,833 |
| Due after 12 months | - | - | - | - |
| | 27,807 | 774,211 | - | 593,833 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

10.a Movement on the allowance for impairment of receivables arising out of direct insurance arrangements areas follows:

| | Group N'000 | | Company N'000 | |
|---|----------------|--|------------------|--|
| At beginning of year | 2,202,364 | | 2,202,364 | |
| Provision for impairment | - | | - | |
| Amount written off during the year as uncollectible | - | | - | |
| At end of year | 2,202,364 | | 2,202,364 | |

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| 11. Reinsurance assets | | | | |
| Prepaid reinsurance (Note 11a) | 1,312,435 | 967,602 | 922,806 | 701,972 |
| Reinsurance recoverable | 1,941,534 | 873,911 | 1,682,845 | 718,605 |
| | <u>3,253,969</u> | <u>1,841,513</u> | <u>2,605,651</u> | <u>1,420,577</u> |
| Due within 12 months | 3,253,969 | 1,841,513 | 2,605,651 | 1,420,577 |
| Due after 12 months | - | - | - | - |
| | <u>3,253,969</u> | <u>1,841,513</u> | <u>2,605,651</u> | <u>1,420,577</u> |
| 11a Movement in prepaid reinsurance | | | | |
| At beginning of year | 967,602 | 70,344 | 701,972 | - |
| Additions during the year | 2,077,252 | 967,602 | 1,558,238 | 701,972 |
| Amortisation during the year | (1,732,419) | (70,344) | (1,337,404) | - |
| At end of year | <u>1,312,435</u> | <u>967,602</u> | <u>922,806</u> | <u>701,972</u> |

There were no indicators of impairment for re-insurance assets. Therefore no impairment allowance is required in respect of the assets. The carrying amounts disclosed above is in respect of the reinsurance contracts which approximate the fair value at the reporting date.

| | Group | | Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 12. OTHER RECEIVABLES | | | | |
| Due from reinsurance | 8,538 | - | 8,538 | - |
| Sundry debtors | 453,125 | 336,982 | 424,919 | 313,452 |
| Commission receivable | 61,287 | - | 61,287 | - |
| Accrued income | 8,136 | 21,215 | - | 13,079 |
| Prepayment | 14,137 | 25,744 | 10,559 | 22,166 |
| | <u>545,223</u> | <u>383,941</u> | <u>505,303</u> | <u>348,697</u> |
| Due within 12 months | 545,223 | 383,941 | 505,303 | 348,697 |
| Due after 12 months | - | - | - | - |
| | <u>545,223</u> | <u>383,941</u> | <u>505,303</u> | <u>348,697</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

| | Group | | Company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 13. DEFERRED ACQUISITION COSTS | | | | |
| Deferred acquisition costs represent commissions on unearned premium relating to the unexpired period of risks and comprise: | | | | |
| Fire | 6,671 | 11,764 | 6,671 | 11,764 |
| Accident | 27,510 | 32,376 | 27,510 | 32,376 |
| Motor vehicle | 12,193 | 16,535 | 12,193 | 16,535 |
| Oil and Gas | 126 | 1,901 | 126 | 1,901 |
| Marine and aviation | 5,655 | 3,947 | 5,655 | 3,947 |
| | 52,155 | 66,523 | 52,155 | 66,523 |
| Movement in deferred acquisition costs | | | | |
| At beginning of year | 66,523 | 56,610 | 66,523 | 56,610 |
| Additions during the year | 284,026 | 180,054 | 284,026 | 180,054 |
| Charged during the year | (298,394) | (170,141) | (298,394) | (170,141) |
| At end of year | 52,155 | 66,523 | 52,155 | 66,523 |
| Due within 12 months | 52,155 | 66,523 | 52,155 | 66,523 |
| Due after 12months | - | - | - | - |
| | 52,155 | 66,523 | 52,155 | 66,523 |

14. INVESTMENT IN SUBSIDIARY

| | | | | |
|-------------------------------|---|---|------------------|------------------|
| LASACO Life Assurance Limited | - | - | 2,000,000 | 2,000,000 |
|-------------------------------|---|---|------------------|------------------|

This represents 100% holding in the ordinary share capital of LASACO Life Assurance Limited, a wholly owned subsidiary incorporated and operating in Nigeria.

15. INVESTMENT PROPERTIES

| | | | | |
|---|------------------|------------------|------------------|------------------|
| At 1 January | 2,461,000 | 862,325 | 2,461,000 | 862,325 |
| Addition during the year | 154,130 | 27,000 | 71,215 | 27,000 |
| Disposal | (62,000) | (88,250) | (62,000) | (88,250) |
| Revaluation surplus (Note 37) | 202,610 | 1,659,925 | 202,610 | 1,659,925 |
| At 31 December | 2,755,740 | 2,461,000 | 2,672,825 | 2,461,000 |
| Cost/Valuation at 31 December, 2013 is represented by: | | | | |
| Valuation | 202,610 | 1,659,925 | 202,610 | 1,659,925 |
| Cost | 2,553,130 | 801,075 | 2,470,215 | 801,075 |
| | 2,755,740 | 2,461,000 | 2,672,825 | 2,461,000 |

- Investment properties comprises of commercial properties and a landed property, both held for the purpose of capital appreciation, whilst the commercial properties have been rented out. The landed property only represents bare land.
- Investment properties are carried at fair value which are determined by independent professional valuers. The determination of fair value of the investment property was supported by market evidence. The modalities and process of valuation utilised extensive analysis of market data and other sectors specific peculiarities corroborated with available database derived from previous experiences.
- Investment properties cost of N62m was disposed off during the year and a profit of N9m realised from the disposal was recognised in the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Group | | Company | |
|---|-----------------------|---|--------------------------------------|------------------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 16. DEFERRED TAX LIABILITY | | | | |
| At 1 January | 110,526 | 88,474 | 105,235 | 86,312 |
| Charge for the year | 35,336 | 22,052 | 34,699 | 18,923 |
| At 31 December | 145,862 | 110,526 | 139,934 | 105,235 |
| The movement in deferred income tax liabilities | | | | |
| during the year is as follows: | | | | |
| | | Deferred tax liability N'000 | Deferred assets N'000 | Total N'000 |
| Group | | | | |
| At beginning of year | | 110,526 | - | 110,526 |
| Charged /(credited) to income statement | | 35,336 | - | 35,336 |
| At end of year | | 145,862 | - | 145,862 |
| Due within 12 months | | 145,862 | - | 145,862 |
| Due after 12 months | | | | |
| Company | | | | |
| At beginning of year | | 105,235 | - | 105,235 |
| Charged /(credited) to income statement | | 34,699 | - | 34,699 |
| At end of year | | 139,934 | - | 139,934 |
| Due within 12 months | | - | - | - |
| Due after 12 months | | 139,934 | - | 139,934 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Building N'000 | Furniture Fittings & equipment N'000 | Motor Vehicle N'000 | TOTAL N'000 |
|---|---------------------------|---|------------------------------------|-------------------------|
| 17. PROPERTY AND EQUIPMENT - Group | | | | |
| Cost | | | | |
| At 1 January 2013 | 312,000 | 305,402 | 371,221 | 988,623 |
| Additions | 2,845 | 29,049 | 65,230 | 97,124 |
| Disposal | - | - | (51,800) | (51,800) |
| Revaluation surplus (Note 27d) | 24,000 | - | - | 24,000 |
| At 31 December 2013 | <u>338,845</u> | <u>334,451</u> | <u>384,651</u> | <u>1,057,947</u> |
| Accumulated depreciation | | | | |
| At 1 January 2013 | 6,240 | 256,403 | 139,350 | 401,993 |
| Charge for the year | 6,297 | 26,250 | 68,975 | 101,522 |
| Disposal | - | - | (10,916) | (10,916) |
| At 31 December 2013 | <u>12,537</u> | <u>282,653</u> | <u>197,409</u> | <u>492,599</u> |
| Carrying value | | | | |
| At 31 December 2013 | <u>326,308</u> | <u>51,798</u> | <u>187,242</u> | <u>565,348</u> |
| At 31 December 2012 | <u>305,760</u> | <u>48,999</u> | <u>231,871</u> | <u>586,630</u> |
| Cost/Valuation at 31 December, 2013 is represented by: | | | | |
| Valuation | 24,000 | - | - | 24,000 |
| Cost | <u>314,845</u> | <u>334,451</u> | <u>384,651</u> | <u>1,033,947</u> |
| | <u>338,845</u> | <u>334,451</u> | <u>384,651</u> | <u>1,057,947</u> |

The Group's land and building were revalued at 31 December 2013 by Fola Oyekan & Associates. Valuation was made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to other reserves in shareholders' equity (Note 27d).

Depreciation expenses of N101.5million has been charged in other operating and administrative expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Land and Building N'000 | Furniture Fittings & equipment N'000 | Motor Vehicle N'000 | TOTAL N'000 |
|---|-------------------------------|---|---------------------------|----------------|
| 17. PROPERTY AND EQUIPMENT - Company | | | | |
| Cost | | | | |
| At 1 January 2013 | 312,000 | 291,584 | 309,921 | 913,505 |
| Additions | 2,845 | 28,100 | 57,230 | 88,175 |
| Disposal | - | - | (47,550) | (47,550) |
| Revaluation surplus (Note 24d) | 24,000 | - | - | 24,000 |
| At 31 December 2013 | 338,845 | 319,684 | 319,601 | 978,130 |
| Accumulated depreciation | | | | |
| At 1 January 2013 | 6,240 | 250,225 | 113,420 | 369,885 |
| Charge for the year | 6,297 | 23,406 | 54,447 | 84,150 |
| Disposal | - | - | (10,240) | (10,240) |
| At 31 December 2013 | 12,537 | 273,631 | 157,627 | 443,795 |
| Carrying value | | | | |
| At 31 December 2013 | <u>326,308</u> | <u>46,053</u> | <u>161,974</u> | <u>534,335</u> |
| At 31 December 2012 | <u>305,760</u> | <u>41,359</u> | <u>196,501</u> | <u>543,620</u> |
| Cost/Valuation at 31 December, 2013 is represented by: | | | | |
| Valuation | 24,000 | - | - | 24,000 |
| Cost | 314,845 | 319,684 | 319,601 | 954,130 |
| | <u>338,845</u> | <u>319,684</u> | <u>319,601</u> | <u>978,130</u> |

The Company's land and building were revalued at 31 December 2013 by Fola Oyekan & Associates. Valuation was made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to other reserves in shareholders' equity (Note 26d).

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 18. STATUTORY DEPOSIT | | | | |
| This represents amount deposited with Central Bank of Nigeria (CBN) in accordance with section 10(3) of the Insurance Act, 2003 | <u>500,000</u> | <u>500,000</u> | <u>300,000</u> | <u>300,000</u> |
| Due within 12 months | - | - | - | - |
| Due after 12 months | <u>500,000</u> | <u>500,000</u> | <u>300,000</u> | <u>300,000</u> |
| | <u>500,000</u> | <u>500,000</u> | <u>300,000</u> | <u>300,000</u> |

Depreciation expenses of N84.1 million has been charged in other operating and administrative expenses

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Group | | Company | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 19. INVESTMENT CONTRACT LIABILITIES | | | | |
| The movement on liability for administered deposit during the year was as follows: | | | | |
| At 1 January | 994,930 | 1,041,941 | - | - |
| Deposits received during the year | 265,980 | 352,124 | - | - |
| Guaranteed Interest | 35,892 | 33,070 | - | - |
| | 1,296,802 | 1,427,135 | - | - |
| Withdrawals | (248,654) | (432,205) | - | - |
| At 31 December | 1,048,148 | 994,930 | - | - |
| The Company has a total sum of N1.048 billion (2012 -N994million) in deposit administered funds with guaranteed interest. | | | | |
| 20. INSURANCE CONTRACT LIABILITIES | | | | |
| General business (note 20.1) | 3,778,683 | 2,845,199 | 3,778,683 | 2,845,199 |
| Life business (note 20.2) | 1,287,024 | 1,228,136 | - | - |
| Total insurance liabilities | 5,065,707 | 4,073,335 | 3,778,683 | 2,845,199 |
| Due within 12 months | 3,629,803 | 2,656,156 | 2,342,779 | 1,428,020 |
| Due after 12months | 1,435,904 | 1,417,179 | 1,435,904 | 1,417,179 |
| | 5,065,707 | 4,073,335 | 3,778,683 | 2,845,199 |
| 20.1 General business liabilities | | | | |
| Outstanding claims provision (note 20.1a) | 2,517,345 | 1,492,210 | 2,517,345 | 1,492,210 |
| Claims incurred but not reported (note 20.1b) | 737,081 | 451,821 | 737,081 | 451,821 |
| Provision for unearned premium (note 20.1c) | 524,257 | 901,168 | 524,257 | 901,168 |
| Total general business insurance contract liability | 3,778,683 | 2,845,199 | 3,778,683 | 2,845,199 |
| 20.1a Outstanding claims provision - General business | | | | |
| Movement in outstanding claims provision | | | | |
| At 1 January | 1,492,210 | 298,678 | 1,492,210 | 298,678 |
| Claims incurred in the current year | 2,188,835 | 1,528,257 | 2,188,835 | 1,528,257 |
| Claims paid during the year | (1,163,700) | (334,725) | (1,163,700) | (334,725) |
| At 31 December | 2,517,345 | 1,492,210 | 2,517,345 | 1,492,210 |
| 20.1b Claims incurred but not reported (IBNR) provision | | | | |
| Movement in IBNR provision | | | | |
| At 1 January | 451,821 | 304,188 | 451,821 | 304,188 |
| Movement during the year | 285,260 | 147,633 | 285,260 | 147,633 |
| At 31 December | 737,081 | 451,821 | 737,081 | 451,821 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

| | Unearned premium 2013 N'000 | Movement N'000 | Unearned premium 2012 N'000 | Movement N'000 | Unearned premium 2011 N'000 |
|-------------------------------|--------------------------------------|-------------------|--------------------------------------|-------------------|--------------------------------------|
| 20.1c UNEARNED PREMIUM | | | | | |
| Fire | 35,723 | (28,155) | 63,878 | 29,620 | 34,258 |
| Accident | 187,894 | (60,094) | 247,988 | (50,657) | 298,645 |
| Motor vehicle | 97,651 | (37,324) | 134,975 | 19,081 | 115,894 |
| Marine and aviation | 30,168 | 5,481 | 24,687 | 6,267 | 18,420 |
| Oil and gas | 172,821 | (256,819) | 429,640 | (27,422) | 457,062 |
| | 524,257 | (376,911) | 901,168 | (23,111) | 924,279 |

These provision represents the liability for general business insurance contracts for which the Group's obligations have not expired at year end, The unearned premium provision relates to the casualty insurance contracts for which the group expects to pay claims in excess of the related unearned premium provision.

| | Group 2013 N'000 | Group 2012 N'000 | Company 2013 N'000 | Company 2012 N'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| 20.2 Insurance liability life comprises: | | | | |
| Group life (Note 20.2a) | 720,716 | 718,737 | - | - |
| Individual life | 566,308 | 509,399 | - | - |
| | 1,287,024 | 1,228,136 | - | - |
| Group life fund: | | | | |
| 20.2a Provision for outstanding claims (Note 20.2b) | 412,556 | 490,612 | - | - |
| IBNR | 143,790 | 70,629 | - | - |
| Unearned premium reserve | 164,370 | 157,496 | - | - |
| | 720,716 | 718,737 | - | - |
| The movement in the provision for outstanding claims during the year was as follows: | | | | |
| 20.2b At 1 January | 490,612 | 111,576 | - | - |
| Increase/(decrease) in provision for outstanding claims | 1,158,783 | 1,383,023 | - | - |
| Claims paid | (1,236,839) | (1,003,987) | - | - |
| At 31 December | 412,556 | 490,612 | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| Reinsurance payables | <u>226,882</u> | <u>237,451</u> | <u>27,113</u> | <u>36,392</u> |
| 21.1 Reinsurance payables | | | | |
| Reinsurance premium payables | 226,882 | 237,451 | 27,113 | 36,392 |
| Minimum deposit payables | - | - | - | - |
| | <u>226,882</u> | <u>237,451</u> | <u>27,113</u> | <u>36,392</u> |
| Due within 12 months | 226,882 | 237,451 | 27,113 | 36,392 |
| Due after 12 months | - | - | - | - |
| | <u>226,882</u> | <u>237,451</u> | <u>27,113</u> | <u>36,392</u> |
| 22. DEFERRED COMMISSION INCOME | | | | |
| Fire | 6,403 | 1,659 | 6,403 | 1,659 |
| Accident | 26,636 | 27,769 | 26,636 | 27,769 |
| Motor vehicle | 3,974 | 6,445 | 3,974 | 6,445 |
| Oil and Gas | 21,309 | 20,704 | 21,309 | 20,704 |
| Marine and aviation | 2,335 | 3,431 | 2,335 | 3,431 |
| Group life | <u>31,335</u> | - | - | - |
| | <u>91,992</u> | <u>60,008</u> | <u>60,657</u> | <u>60,008</u> |
| It relates to deferred commission income unearned portion of the commission reinsurance transactions | i.e from | | | |
| 23. OTHER PAYABLES | | | | |
| Accruals | 109,961 | 22,071 | 84,781 | 17,571 |
| Other creditors (note 23.1) | 79,684 | 43,202 | 52,207 | 18,936 |
| Due to subsidiary | - | - | 639,831 | 734,496 |
| | <u>189,645</u> | <u>65,273</u> | <u>776,819</u> | <u>771,003</u> |
| 23.1 The breakdown of other creditors is as below: | | | | |
| Staff payables | 11,642 | 8,869 | 11,642 | 7,726 |
| Other tax payables | 12,065 | 13,197 | 12,065 | 5,740 |
| Other payables | <u>55,977</u> | <u>21,136</u> | <u>28,500</u> | <u>5,470</u> |
| | <u>79,684</u> | <u>43,202</u> | <u>52,207</u> | <u>18,936</u> |
| The carrying amounts disclosed above approximate the fair value at the reporting date. All amounts are payable within one year. | | | | |
| Due within 12 months | 79,684 | 43,202 | 52,207 | 18,936 |
| Due after 12 months | - | - | - | - |
| | <u>79,684</u> | <u>43,202</u> | <u>52,207</u> | <u>18,936</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Group | | Company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 24. EMPLOYEES BENEFIT LIABILITY | | | | |
| 24.1 Gratuity scheme | | | | |
| The company has a post employment benefit scheme. The movement in the defined benefit obligation over the year is as follows: | | | | |
| At beginning of year | 528,777 | 388,955 | 417,884 | 321,779 |
| Current service cost | 151,767 | 139,822 | 135,691 | 96,105 |
| Service cost paid during the year | (114,879) | - | (96,307) | - |
| At 31 December | 565,665 | 528,777 | 457,268 | 417,884 |
| Due within 12 months | - | - | - | - |
| Due after 12 months | 565,665 | 528,777 | 457,268 | 417,884 |
| | 565,665 | 528,777 | 457,268 | 417,884 |
| 25. CURRENT INCOME TAX LIABILITIES | | | | |
| 25.1 Charge | | | | |
| Income | 89,894 | 43,543 | 83,174 | 34,857 |
| Education tax | 8,110 | 7,816 | 6,862 | 4,069 |
| Technology tax | 4,127 | 1,523 | 4,001 | 1,523 |
| | 102,131 | 52,882 | 94,037 | 40,449 |
| Deferred tax (note 16) | 35,336 | 22,052 | 34,699 | 18,923 |
| Charge for the year | 137,467 | 74,934 | 128,736 | 59,372 |
| 25.2 Tax liability | | | | |
| The movement on tax payable account during the year is as follows: | | | | |
| At 1 January | 170,604 | 117,722 | 129,591 | 89,142 |
| Payments during the year | (69,816) | - | (69,816) | - |
| Charge for the year | 102,131 | 52,882 | 94,037 | 40,449 |
| At 31 December | 202,919 | 170,604 | 153,812 | 129,591 |
| NOTE ON TAX RECONCILIATIONS | | | | |
| Tax on the Group's profit before tax differ from theoretical amount that would arise using weighted average tax rate applicable to profit of the group as follows: | | | | |
| Profit before tax | 412,807 | (180,090) | 400,141 | 152,275 |
| Tax calculated at domestic rate | | | | |
| Applicable in Nigeria at 30% (2011- 30%) | 123,842 | (54,027) | 120,042 | 45,683 |
| Income not subject to tax | (276,059) | (315,420) | (118,025) | (270,409) |
| Expenses deducted from profit subject to tax | 340,157 | 291,116 | 152,112 | 172,086 |
| Education tax | 8,110 | 12,451 | 6,862 | 4,069 |
| Information technology tax | 4,127 | 2,189 | 4,001 | 2,189 |
| | 200,177 | (63,691) | 164,992 | (46,383) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 26. CAPITAL AND RESERVES | | | | |
| 26a Share capital | | | | |
| Authorised | | | | |
| 10 billion ordinary shares of 50k each | <u>5,000,000</u> | <u>5,000,000</u> | <u>5,000,000</u> | <u>5,000,000</u> |
| Issued and fully paid | | | | |
| 7,334,343,421 units of ordinary shares of 50k each | <u>3,667,172</u> | <u>3,667,172</u> | <u>3,667,172</u> | <u>3,667,172</u> |
| | <u>940,612</u> | <u>940,612</u> | <u>940,612</u> | <u>940,612</u> |

26b Share premium

Premium arising from the issue of shares are reported in the share premium account.

26c Statutory contingency reserve

In accordance with the Insurance act, a contingency reserve is credited with the greater of 3% of total premiums or 20% of profits for general business and 1% of total premiums or 10% of profits for life business. This shall accumulate until it reaches the amount of greater of minimum paid-up capital or 50 percent of net premium.

| | Group | | Company | |
|-------------------------------------|-----------------------|----------------|-----------------------|----------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| At the beginning of the year | 730,817 | 623,004 | 684,739 | 589,929 |
| Transfer from retained earning | <u>127,791</u> | <u>107,813</u> | <u>111,553</u> | <u>94,810</u> |
| At end of the year | <u>858,608</u> | <u>730,817</u> | <u>796,292</u> | <u>684,739</u> |
| 26d Revaluation reserve | | | | |
| At 1 January | 469,052 | 435,052 | 469,052 | 435,052 |
| Addition during the year (Note 17.) | <u>24,000</u> | <u>34,000</u> | <u>24,000</u> | <u>34,000</u> |
| At 31 December | <u>493,052</u> | <u>469,052</u> | <u>493,052</u> | <u>469,052</u> |

Under current regulations, assets revaluation reserve is not available for distribution to shareholders either as dividends or bonus shares.

No provision was made for deferred capital gains tax as the property is not meant for sale in the foreseeable future.

| | Group | | Company | |
|--|-----------------------|----------------|-----------------------|----------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 26e Fair value reserves | | | | |
| At the beginning of the year | 372,556 | 102,009 | 212,955 | 49,381 |
| Additions during the year : | | | | |
| Fair value changes in availablefor sale financial assets | <u>(20,778)</u> | <u>270,547</u> | <u>76,627</u> | <u>163,574</u> |
| At end of the year | <u>351,778</u> | <u>372,556</u> | <u>289,582</u> | <u>212,955</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

| | Group | | Company | |
|--|---------------------------|-------------------------|---------------------------|-------------------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 26f Retained earnings | | | | |
| Retained earnings consist of undistributed profits from previous years | | | | |
| At the beginning of the year | (582,853) | (220,017) | (547,642) | (545,735) |
| Transfer from profit and loss | 275,340 | (255,024) | 271,405 | 92,903 |
| Transfer to contingency reserve | (127,791) | (107,813) | (111,553) | (94,810) |
| At end of the year | <u>(435,304)</u> | <u>(582,853)</u> | <u>(387,790)</u> | <u>(547,642)</u> |
| 27. NET PREMIUM EARNED | | | | |
| Life business insurance contracts with fixed and guaranteed terms | 1,623,813 | 1,300,321 | - | - |
| General business insurance contracts: Premium revenue | <u>3,341,515</u> | <u>3,137,220</u> | <u>3,341,515</u> | <u>3,137,220</u> |
| | 4,965,328 | 4,437,541 | 3,341,515 | 3,137,220 |
| Change in unearned premium provision | <u>376,911</u> | <u>23,111</u> | <u>376,911</u> | <u>23,111</u> |
| Premium revenue arising from insurance contracts issued | <u>5,342,239</u> | <u>4,460,652</u> | <u>3,718,426</u> | <u>3,160,331</u> |
| General business reinsurance contract: Premium payables | (2,260,210) | (1,482,285) | (2,260,210) | (1,482,285) |
| Life business reinsurance contracts | (395,015) | (346,514) | - | - |
| Prepaid reinsurance | <u>922,805</u> | <u>701,972</u> | <u>922,805</u> | <u>701,972</u> |
| Premium revenue ceded to reinsurers on insurance contracts issued | <u>(1,732,420)</u> | <u>(1,126,827)</u> | <u>(1,337,405)</u> | <u>(780,313)</u> |
| Net insurance premium revenue | <u>3,609,819</u> | <u>3,333,825</u> | <u>2,381,021</u> | <u>2,380,018</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Group | | Company | |
|--|-------------------------|-----------------------|-----------------------|-----------------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 28. FEES AND COMMISSION INCOME | | | | |
| Fee income arising on insurance contracts | <u>599,155</u> | <u>390,330</u> | <u>499,928</u> | <u>303,264</u> |
| 29. CLAIMS EXPENSES (NET) | | | | |
| Gross claims paid (29.1) | 2,417,614 | 1,365,229 | 1,163,700 | 334,724 |
| Reinsurance recoveries | (942,205) | (1,205,124) | (530,122) | (767,411) |
| Changes in contract liabilities (note 31) | <u>405,039</u> | <u>1,785,234</u> | <u>346,151</u> | <u>1,341,168</u> |
| | <u>1,880,448</u> | <u>1,945,339</u> | <u>979,729</u> | <u>908,481</u> |
| | General business | | Life business | |
| | 2013 | 2012 | 2013 | 2012 |
| 29.1 GROSS CLAIMS PAID | | | | |
| Fire | 169,553 | 16,367 | 169,553 | 16,367 |
| Accident | 199,794 | 102,763 | 199,794 | 102,763 |
| Motor vehicle | 101,678 | 58,376 | 101,678 | 58,376 |
| Oil and gas | 676,300 | 154,482 | 676,300 | 154,482 |
| Marine and aviation | 16,375 | 2,736 | 16,375 | 2,736 |
| Individual life | 17,075 | 26,518 | - | - |
| Group life | <u>1,236,839</u> | <u>1,003,987</u> | <u>-</u> | <u>-</u> |
| | <u>2,417,614</u> | <u>1,365,229</u> | <u>1,163,700</u> | <u>334,724</u> |
| | Group | | Company | |
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 30. CLAIMS RECOVERABLE FROM REINSURER | | | | |
| General business | (530,122) | (767,411) | (530,122) | (767,411) |
| Life business | <u>(412,083)</u> | <u>(437,713)</u> | <u>-</u> | <u>-</u> |
| | <u>(942,205)</u> | <u>(1,205,124)</u> | <u>(530,122)</u> | <u>(767,411)</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | General business | | Life business | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2013 | 2012 | 2013 | 2012 |
| 30.1 Breakdown of claims and benefit recoverable from reinsurers | | | | |
| Group | | | | |
| Fire | (109,496) | (161,865) | - | - |
| Accident | (31,929) | (4,214) | - | - |
| Motor vehicle | (34,554) | - | - | - |
| Oil and gas | (350,877) | (601,134) | - | - |
| Marine and aviation | (3,266) | (198) | - | - |
| Group life | - | - | (412,083) | (437,713) |
| | <u>(530,122)</u> | <u>(767,411)</u> | <u>(412,083)</u> | <u>(437,713)</u> |
| Company | | | | |
| Fire | (109,496) | (161,865) | - | - |
| Accident | (31,929) | (4,214) | - | - |
| Motor vehicle | (34,554) | - | - | - |
| Oil and gas | (350,877) | (601,134) | - | - |
| Marine and aviation | (3,266) | (198) | - | - |
| | <u>(530,122)</u> | <u>(767,411)</u> | <u>-</u> | <u>-</u> |
| | Group | | Company | |
| | 2013 | 2012 | 2013 | 2012 |
| | N'000 | N'000 | N'000 | N'000 |
| 31. CHANGE IN CONTRACT LIABILITIES | | | | |
| General business | 346,151 | 1,341,168 | 346,151 | 1,341,168 |
| Life business | 58,888 | 444,066 | - | - |
| | <u>405,039</u> | <u>1,785,234</u> | <u>346,151</u> | <u>1,341,168</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

31.1 Breakdown of movement in outstanding claims IBNR

| Group | General business Change in contract liability | | Life business Change in contract liability | |
|---|--|------------------|---|----------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| Fire | 28,467 | 163,020 | - | - |
| Accident | 161,441 | (54,068) | - | - |
| Motor vehicle | (7,110) | 217,970 | - | - |
| Oil and gas | 225,882 | 1,029,572 | - | - |
| Marine and aviation | (62,529) | (15,326) | - | - |
| Individual life | - | - | 27,853 | 80,230 |
| Group life | - | - | 31,035 | 363,836 |
| | <u>346,151</u> | <u>1,341,168</u> | <u>58,888</u> | <u>444,066</u> |
| Company | | | | |
| Fire | 28,467 | 164,044 | - | - |
| Accident | 161,441 | (49,860) | - | - |
| Motor vehicle | (7,110) | 217,970 | - | - |
| Oil and gas | 225,882 | 1,024,340 | - | - |
| Marine and aviation | (62,529) | (15,326) | - | - |
| | <u>346,151</u> | <u>1,341,168</u> | <u>-</u> | <u>-</u> |
| | Group | | Company | |
| | 2013 | 2012 | 2013 | 2012 |
| 32 UNDERWRITING EXPENSES | | | | |
| Acquisition cost | 476,213 | 277,831 | 298,395 | 170,141 |
| Maintenance expenses | 446,815 | 217,427 | 387,558 | 168,334 |
| | <u>923,028</u> | <u>495,258</u> | <u>685,953</u> | <u>338,475</u> |
| 33 BREAKDOWN OF UNDERWRITING EXPENSES | | | | |
| <i>Acquisition cost</i> | | | | |
| General business | 298,395 | 170,141 | 298,395 | 170,141 |
| Life business | 177,818 | 107,690 | - | - |
| | <u>476,213</u> | <u>277,831</u> | <u>298,395</u> | <u>170,141</u> |
| <i>33.1 Maintenance expenses</i> | | | | |
| General business | 387,558 | 168,334 | 387,558 | 168,334 |
| Life business | 59,257 | 49,093 | - | - |
| | <u>446,815</u> | <u>217,427</u> | <u>387,558</u> | <u>168,334</u> |
| 34. PROFIT/(LOSS) ON INVESTMENT CONTRACT | | | | |
| Investment income | 75,333 | 39,279 | - | - |
| Guaranteed interest | (35,898) | (33,070) | - | - |
| Administrative expenses | (17,531) | (62,530) | - | - |
| | <u>21,904</u> | <u>(56,321)</u> | <u>-</u> | <u>-</u> |
| 35. INVESTMENT INCOME | | | | |
| Investment income | 39,633 | 21,307 | 39,633 | 21,307 |
| Available-for-sale - Dividend income | 52,536 | 58,197 | 43,656 | 54,034 |
| Held-to-maturity and loans and receivables | 74,824 | 9,336 | 34,736 | 6,011 |
| Cash and cash equivalents | 142,314 | 245,039 | 33,248 | 102,164 |
| | <u>309,307</u> | <u>333,879</u> | <u>151,273</u> | <u>183,516</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| 35.1 INVESTMENT INCOME DISTRIBUTION | | | | |
| Share -shareholders | 126,579 | - | 83,427 | - |
| Share -policy holder | 182,728 | 333,879 | 67,846 | 183,516 |
| | 309,307 | 333,879 | 151,273 | 183,516 |
| 36. NET REALISED GAIN/(LOSS) ON FINANCIAL ASSETS | | | | |
| Realized gain/(loss) on disposal of financial assets | 74,787 | 44,720 | 59,151 | 43,332 |
| Impairment of financial assets | 627 | (9,419) | 627 | (9,419) |
| Total | 75,414 | 35,301 | 59,778 | 33,913 |
| 37. OTHER INCOME | | | | |
| Profit on sale of fixed assets | 837 | 21,250 | 837 | 21,250 |
| Profit on sale of investment property | 9,000 | - | 9,000 | - |
| Revaluation of investment assets (Note 15) | 202,610 | 1,659,925 | 202,610 | 1,659,925 |
| Other sundry income | 147,618 | 11,818 | 98,180 | 7,147 |
| | 360,065 | 1,692,993 | 310,627 | 1,688,322 |
| 38. OTHER OPERATING AND ADMINISTRATIVE EXPENSES | | | | |
| Management expenses comprise: | | | | |
| Employee benefits expense (note 38.1) | 776,005 | 807,304 | 639,478 | 670,587 |
| Depreciation | 101,519 | 95,879 | 84,146 | 81,670 |
| Amortization -Goodwill | - | 444,112 | - | 444,112 |
| Amortization -Intangible assets | - | 2,965 | - | 2,965 |
| Auditors remuneration | 14,000 | 9,000 | 8,000 | 6,000 |
| Directors' emolument | - | 38,808 | - | 38,808 |
| Direct Expenses | 293,204 | 354,648 | 221,174 | 265,545 |
| Other operating expenses | 460,045 | 490,938 | 330,683 | 462,443 |
| Impairment loss on financial assets | 114,608 | - | 53,323 | - |
| Impairment loss on premium receivables | - | 1,224,455 | - | 1,216,282 |
| Impairment loss on other receivables | - | 1,390 | - | 1,390 |
| | 1,759,381 | 3,469,499 | 1,336,804 | 3,189,802 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

| | Group | | Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| 38.1 Employee benefits expense | | | | |
| Salaries and wages | 579,489 | 611,788 | 463,635 | 522,440 |
| Medical | 19,631 | 17,624 | 17,169 | 15,254 |
| Staff training | 25,118 | 38,070 | 22,983 | 36,788 |
| Post-employment benefit | 151,767 | 139,822 | 135,691 | 96,105 |
| | <u>776,005</u> | <u>807,304</u> | <u>639,478</u> | <u>670,587</u> |

39. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

Profit attributable to equity holders (N'000) - 278,562

Weighted average number of ordinary shares in issue ('000) - 7,334,343

Basic earnings per share- 4kobo

40. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings and regulations

The Company operates in the insurance industry and is subject to legal of business. There were six (2012:six) outstanding legal proceedings against the Company as at 31 December 2013 with claims totaling N159million (2012:N163million). While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on its results and financial position.

The Company is also subject to insurance solvency regulations and has complied with all these solvency regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

b) Capital commitments

The Company has no capital commitments as at the reporting date.

41. RELATED PARTY DISCLOSURES

The company entered into transactions with members of the holding company.

a) Transactions with related parties

Details of significant transactions carried out with related parties during the year are as follows:

Premium and claims paid

(i) Parent

Lagos State Government
Ibile Holdings

(ii) Key management personnel

| Premium N'000 | Claims N'000 |
|------------------|-----------------|
| 725,471 | 621,686 |
| 3,776 | 2,723 |
| 1,373 | 1,190 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

41. RELATED PARTY DISCLOSURES (Cont'd)

b) Compensation of key management personnel

Key management personnel of the company includes all Directors (executive and non-executive), members of the management committee.

The summary of compensation of key management personnel for the year is as follows:

| | Group | | Company | |
|-----------------|---------------|---------------|---------------|---------------|
| | 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |
| Salaries | 72,150 | 72,150 | 72,150 | 72,150 |
| Fees | 7,450 | 7,450 | 7,450 | 7,450 |
| | 79,600 | 79,600 | 79,600 | 79,600 |

42. EMPLOYEES AND DIRECTORS

a) Employees

The average number of persons employed during the year was as follows:

Executive Directors
Management
Non-management

| Number | Number | Number | Number |
|------------|--------|------------|--------|
| 2 | 2 | 2 | 2 |
| 28 | 41 | 21 | 36 |
| 141 | 121 | 115 | 106 |
| 171 | 164 | 138 | 144 |

Compensation for the above staff
(excluding executive Directors):

Salaries and wages
Retirement benefit costs
Medical
Staff training

| N'000 | N'000 | N'000 | N'000 |
|----------------|---------|----------------|---------|
| 507,339 | 567,982 | 391,486 | 497,838 |
| 151,767 | 167,410 | 135,691 | 124,393 |
| 19,631 | 17,200 | 17,169 | 11,473 |
| 25,166 | 54,300 | 22,983 | 49,204 |
| 703,903 | 806,892 | 567,329 | 682,908 |

The numbers of employees of the Company, other than Directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits), were:

Less than N500,00
N500,001 - N750,000
N750,001 - N1,000,000
N1,000,001 - and Above

| Number | Number | Number | Number |
|------------|--------|------------|--------|
| 15 | 4 | 4 | 4 |
| 19 | 14 | 11 | 11 |
| 67 | 72 | 56 | 56 |
| 70 | 74 | 67 | 73 |
| 171 | 164 | 138 | 144 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

| | Group | | Company | |
|---|----------------------|---------------|----------------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | N'000 | N'000 | N'000 | N'000 |
| 42. EMPLOYEES AND DIRECTORS (Cont'd) | | | | |
| b) Directors | | | | |
| Remuneration paid to the Company's Directors (excluding pension contribution) were: | | | | |
| Fees and sitting allowances | 7,156 | 7,156 | 7,156 | 7,156 |
| Executive compensation | 14,853 | 14,853 | 14,853 | 14,853 |
| Other Director expenses | 16,799 | 16,799 | 16,799 | 16,799 |
| | <u>38,808</u> | <u>38,808</u> | <u>38,808</u> | <u>38,808</u> |
| Fees and other emoluments disclosed above include amounts paid to: | | | | |
| The chairman | 750 | 750 | 750 | 750 |
| The highest paid Director | 14,853 | 14,853 | 14,853 | 14,853 |
| The numbers of Directors who received fees and other emoluments (excluding pension contributions, certain benefits and reimbursable expenses) in the following ranges were: | | | | |
| | Number | Number | Number | Number |
| Below N1,000,000 | 5 | 5 | 5 | 5 |
| N1,000,000 - N2,500,000 | - | - | - | - |
| N2,500,001 - N4,000,000 | 2 | 2 | 2 | 2 |
| Above N4,000,000 | <u>7</u> | <u>7</u> | <u>7</u> | <u>7</u> |

43. EVENTS AFTER THE REPORTING PERIOD

There were no events which could have a material effect on the financial position of the Group as at 31 December 2013 and profit attributable to equity holders on that date other than as disclosed in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

| Group | | Company | |
|---------------|---------------|---------------|---------------|
| 2013 N'000 | 2012 N'000 | 2013 N'000 | 2012 N'000 |

44. RECONCILIATION OF OPERATING PROFIT TO THE CASH PROVIDED BY OPERATING ACTIVITIES

| | | | | |
|---|--------------------|-------------|--------------------|-------------|
| Operating profit after tax | 275,340 | 370,043 | 271,405 | 592,943 |
| Increase in provision for bad debts | (31,779) | 1,224,455 | | 1,216,282 |
| (Increase)/decrease in insurance receivable | 778,183 | (752,282) | 593,833 | (812,483) |
| (Increase)/decrease in reinsurance assets | (1,412,456) | (837,276) | (1,185,074) | (641,990) |
| (Increase)/decrease in deferred expenses | 14,368 | (9,913) | 14,368 | (9,913) |
| (Increase)/decrease other receivables | (161,280) | (8,592) | (156,606) | 15,594 |
| Change in available for sale equity | 19,059 | (427,103) | (60,515) | (280,779) |
| Change in investment properties | (202,610) | (1,659,925) | (202,610) | (1,659,925) |
| Dividend and Interests received | (194,850) | (156,198) | (76,904) | (156,198) |
| Goodwill | - | 444,112 | | 444,112 |
| Equity revaluation reserve | (20,778) | 270,547 | 76,627 | 163,574 |
| Amortisation of intangible assets | - | 2,965 | | 2,965 |
| Adjustment on fixed assets | - | 2,150 | | 2,150 |
| Depreciation | 101,522 | 95,879 | 84,150 | 81,670 |
| Increase/(decrease) in insurance contract liabilities | 992,372 | 285,005 | 933,482 | 22,568 |
| Increase/(decrease) in deferred commission income | 31,984 | 60,008 | 649 | 60,008 |
| Increase/(decrease) in trade payables | (10,569) | 75,600 | (9,279) | (124,409) |
| Increase/(decrease) in deferred taxation | 35,336 | 22,052 | 34,699 | 18,923 |
| Decrease in employee benefit liability | 36,888 | 139,822 | 39,384 | 96,105 |
| Increase/(decrease) in investment contract liability | 53,218 | (47,011) | | - |
| Increase/(decrease) in other payables | 124,372 | (64,673) | 5,816 | (493,684) |
| Increase/(decrease) in taxation | 32,315 | 129,723 | 24,221 | 117,290 |
| Cash provided by operating activities | 460,635 | (840,613) | 387,647 | (1,345,197) |

45. CONTRAVENTION OF LAWS AND REGULATIONS

The Company contravened certain laws and regulations during the year and paid a total penalty of N790,000 December 2013 (2012-N2,578,571.43). This is analysed below:

| | N' 000 |
|--|------------|
| PENALTIES | |
| Late submission of 2012 accounts to NAICOM | 220 |
| Late submission of database of industry stakeholders paid to NAICOM | 70 |
| Contravention of guideline on placement limits with banks paid to NAICOM | 500 |
| | 790 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

46. HYPOTHECATION

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term, its investment proceeds will not be sufficient to fund the obligations arising from its insurance and investment contracts. In response to the risk, the Group's assets and liabilities are allocated as follows:

| | Insurance contract | | Investment contract | | Shareholders funds | | Total |
|---------------------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--|--------------------|
| | Non life | Life | Life | Non life | Life | | |
| | N'000 | N'000 | N'000 | N'000 | N'000 | | N'000 |
| Group - 31 December 2013 | | | | | | | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | 489,998 | 1,060,176 | 1,250,000 | 78,845 | 209,359 | | 3,088,378 |
| Financial assets | 1,104,924 | 470,000 | - | 849,170 | 200,024 | | 2,624,118 |
| Trade receivables | - | 27,807 | - | - | - | | 27,807 |
| Reinsurance assets | 2,605,651 | 648,318 | - | - | - | | 3,253,969 |
| Other receivables | - | - | - | 505,303 | 39,920 | | 545,223 |
| Investment in Subsidiary | - | - | - | 2,000,000 | - | | 2,000,000 |
| Investment properties | - | - | - | 2,672,825 | 82,915 | | 2,755,740 |
| Property ,plant and equipment | - | - | - | 534,335 | 31,013 | | 565,348 |
| Statutory deposit | - | - | - | 300,000 | 200,000 | | 500,000 |
| Total assets | 4,200,573 | 2,206,301 | 1,250,000 | 6,940,478 | 763,231 | | 15,360,583 |
| LIABILITIES | | | | | | | |
| Investment contract liabilities | - | - | (1,048,148) | - | - | | (1,048,148) |
| Insurance contract liabilities | (3,778,683) | (1,287,024) | - | - | - | | (5,065,707) |
| Trade payables | - | - | - | (27,113) | (199,769) | | (226,882) |
| Deferred commission income | - | - | - | (60,657) | (31,335) | | (91,992) |
| Other payables | - | - | - | (776,819) | (52,656) | | (829,475) |
| Deferred tax liabilities | - | - | - | (139,934) | (5,928) | | (145,862) |
| Employee benefit liability | - | - | - | (457,268) | (108,397) | | (565,665) |
| Taxation | - | - | - | (153,812) | (49,107) | | (202,919) |
| Total liabilities | (3,778,683) | (1,287,024) | (1,048,148) | (1,615,603) | (447,192) | | (8,176,650) |
| | 421,890 | 919,277 | 201,852 | 5,324,875 | 316,039 | | 7,183,933 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

46. HYPOTHECATION (CONTINUED)

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long term, its investment proceeds will not be sufficient to fund the obligations arising from its insurance and investment contracts. In response to the risk, the Company's assets and liabilities are allocated as follows:

Company- 31 December 2013

In thousands of Naira

| | Insurance contract Non life N'000 | Shareholders funds Non life N'000 | Total N'000 |
|--------------------------------|--|--|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | 489,998 | 78,845 | 568,843 |
| Financial assets | 1,104,924 | 849,170 | 1,954,094 |
| Reinsurance assets | 2,605,651 | - | 2,605,651 |
| Other receivables | - | 505,303 | 505,303 |
| Investment in Subsidiary | - | 2,000,000 | 2,000,000 |
| Investment properties | - | 2,672,825 | 2,672,825 |
| Property, plant and equipment | - | 534,335 | 534,335 |
| Statutory deposit | - | 300,000 | 300,000 |
| Total Assets | 4,200,573 | 6,940,478 | 11,141,051 |
| LIABILITIES | | | |
| Insurance contract liabilities | (3,778,683) | - | (3,778,683) |
| Trade payables | - | (27,113) | (27,113) |
| Deferred commission income | - | (60,657) | (60,657) |
| Other payables | - | (776,819) | (776,819) |
| Deferred tax liabilities | - | (139,934) | (139,934) |
| Employee benefit liability | - | (457,268) | (457,268) |
| Taxation | - | (153,812) | (153,812) |
| Total liabilities | (3,778,683) | (1,615,603) | (5,394,286) |
| | <u>421,890</u> | <u>5,324,875</u> | <u>5,746,765</u> |

STATEMENT OF VALUE ADDED - Group
FOR THE YEAR ENDED 31 DECEMBER 2013

| | 2013 N'000 | % | 2012 N'000 | % |
|--|-----------------------------|-------------------|-----------------------------|-------------------|
| - Nigeria | 3,609,819 | | 3,333,825 | |
| - Foreign | | | | |
| Investment income: | | | | |
| - Nigeria | 309,307 | | 333,879 | |
| - Foreign | | | | |
| Other income: | | | | |
| - Nigeria | 103,500 | | (513,969) | |
| - Foreign | | | | |
| Claims incurred, net commissions and operating expenses: | | | | |
| - Nigeria | (2,732,292) | | (1,983,565) | |
| - Foreign | | | | |
| VALUE ADDED | <u>1,290,334</u> | <u>100</u> | <u>1,170,170</u> | <u>100</u> |
| APPLIED AS FOLLOWS: | | | | |
| To pay employees: | | | | |
| Salaries, wages and fringe benefits | 776,005 | 60 | 807,304 | 69 |
| To pay Government: | | | | |
| - Income tax | 102,131 | 9 | 52,882 | 5 |
| To provide for future taxation: | | | | |
| Deferred taxation | 35,336 | 3 | 22,052 | 2 |
| To provide for enhancement of assets and growth | | | | |
| - Depreciation of property, plant and equipment | 101,522 | 8 | 95,879 | 8 |
| - Amortisation of intangible assets | - | - | 447,077 | 38 |
| - To augment contingency reserve | 127,791 | 8 | 107,813 | 9 |
| - Augment/(deplete) reserves | 147,549 | 11 | (362,837) | (31) |
| | <u>1,290,334</u> | <u>100</u> | <u>1,170,170</u> | <u>100</u> |

Note:

Value added represent the additional wealth the company has been able to create by its own and employees efforts. This statement shows the allocation of that wealth among employees, providers of capital as well as government and that retained for future creation of more wealth.

**STATEMENT OF VALUE ADDED - Company
 FOR THE YEAR ENDED 31 DECEMBER 2013**

| | 2013 N'000 | % | 2012 N'000 | % |
|--|-------------------------|-------------------|-------------------------|-------------------|
| Net premium written: | | | | |
| - Nigeria | 2,381,021 | | 2,380,018 | |
| - Foreign | - | | - | |
| Investment income: | | | | |
| - Nigeria | 151,273 | | 183,516 | |
| - Foreign | - | | - | |
| Other income: | | | | |
| - Nigeria | 248,868 | | (31,241) | |
| - Foreign | - | | - | |
| Claims incurred, net commissions and operating expenses: | | | | |
| - Nigeria | (1,657,393) | | (1,180,684) | |
| - Foreign | - | | - | |
| VALUE ADDED | <u>1,123,769</u> | <u>100</u> | <u>1,351,609</u> | <u>100</u> |
| APPLIED AS FOLLOWS: | | | | |
| To pay employees | | | | |
| salaries, wages and fringe benefits | 639,478 | 57 | 670,587 | 50 |
| To pay government | | | | |
| Income tax | 94,037 | 8 | 40,449 | 3 |
| To provide for future taxation | | | | |
| Deferred taxation | 34,699 | 3 | 18,923 | 1 |
| To provide for enhancement of assets and growth | | | | |
| Depreciation of property, plant and equipment | 84,150 | 8 | 81,670 | 6 |
| Amortisation of intangible assets | - | - | 447,077 | 33 |
| To augment contingency reserve | 111,553 | 10 | 94,810 | 7 |
| Augment/(deplete) reserves | 159,852 | 14 | (1,907) | - |
| | <u>1,123,769</u> | <u>100</u> | <u>1,351,609</u> | <u>100</u> |

Note:

Value added represent the additional wealth the company has been able to create by its own and employees' efforts.

This statement shows the allocation of that wealth among employees, providers of capital as well as government and that retained for future creation of more wealth.

**FINANCIAL SUMMARY - GROUP
FOR THE YEAR ENDED 31 DECEMBER 2013**

| | 2013 | 2012 N'000 | 2011 N'000 | 2010 N'000 |
|--|-------------------|-----------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents | 3,088,378 | 3,591,189 | 4,840,731 | 4,385,933 |
| Financial assets | 2,624,118 | 1,633,253 | 891,150 | 1,030,741 |
| Trade receivables | 27,807 | 774,211 | 1,246,384 | 1,107,847 |
| Reinsurance assets | 3,253,969 | 1,841,513 | 130,326 | 320,391 |
| Other receivables | 545,223 | 383,941 | 375,349 | 604,156 |
| Deferred acquisition cost | 52,155 | 66,523 | 56,610 | 66,428 |
| Investment properties | 2,755,740 | 2,461,000 | 862,325 | 781,388 |
| Intangible asset | - | - | 447,077 | 17,436 |
| Property, plant and equipment | 565,348 | 586,630 | 448,375 | 151,269 |
| Statutory deposit | 500,000 | 500,000 | 500,000 | 500,000 |
| TOTAL ASSETS | 13,412,738 | 11,838,260 | 9,798,327 | 8,965,589 |
| LIABILITIES AND EQUITY | | | | |
| Investment contract liabilities | 1,048,148 | 994,930 | 1,041,941 | 263,206 |
| Insurance contract liabilities | 5,065,707 | 4,073,335 | 2,212,513 | 2,355,128 |
| Trade payables | 226,882 | 237,451 | 161,851 | 49,629 |
| Cashbook overdrawn | - | - | 109,093 | 70,355 |
| Deferred commission income | 91,992 | 60,008 | - | 120,704 |
| Other payables | 189,645 | 65,272 | 129,945 | 182,795 |
| Deferred tax liabilities | 145,862 | 110,526 | 88,474 | 77,306 |
| Employee benefit liability | 565,665 | 528,777 | 388,955 | 294,784 |
| Taxation | 202,919 | 170,604 | 117,722 | 257,432 |
| Total liabilities | 7,536,820 | 6,240,904 | 4,250,494 | 3,671,339 |
| EQUITY | | | | |
| Issued share capital | 3,667,172 | 3,667,172 | 3,667,172 | 3,661,717 |
| Share premium | 940,612 | 940,612 | 940,612 | 940,612 |
| Revaluation reserve | 493,052 | 469,052 | 435,052 | 435,052 |
| Fair value reserve | 351,778 | 372,556 | 102,009 | 83,593 |
| Contingency reserve | 858,608 | 730,817 | 623,004 | 529,044 |
| General reserve | (435,304) | (582,853) | (220,017) | (355,768) |
| Total equity | 5,875,918 | 5,597,356 | 5,547,832 | 5,294,250 |
| TOTAL LIABILITIES AND EQUITY | 13,412,738 | 11,838,260 | 9,798,327 | 8,965,589 |
| STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME | | | | |
| Gross premiums written | 4,965,328 | 4,437,541 | 3,988,547 | 3,255,054 |
| Net insurance premium earned | 4,208,974 | 3,724,155 | 3,506,621 | 2,615,450 |
| Net benefits and claims | 2,803,476 | 2,440,597 | 1,487,998 | 2,452,717 |
| Total underwriting profit | 1,405,498 | 1,283,558 | 2,018,623 | 162,733 |
| Realised gain/(loss) on financial assets | 75,414 | 35,301 | - | - |
| Investment and other income | 669,372 | 2,026,872 | 364,027 | 529,898 |
| Net income | 2,150,284 | 3,345,731 | 2,382,650 | 692,631 |
| Other expenses | (1,759,381) | (3,469,499) | (1,882,340) | (1,539,829) |
| Profit/(loss) before taxation | 390,903 | (123,768) | 500,310 | (847,198) |
| Taxation | (137,467) | (74,934) | (270,598) | (72,902) |
| Profit/(loss) after taxation | 253,436 | (198,702) | 229,712 | (920,100) |
| Net fair value gain on available for sale financial assets | (20,778) | 270,547 | 18,416 | - |
| Gain on revaluation reserve | 24,000 | 34,000 | - | - |
| Total comprehensive income for the year | 256,658 | 105,845 | 248,128 | (920,100) |
| Earning per share(kobo): | | | | |
| - Actual | 4 | (3) | 3 | (13) |
| - Adjusted | 4 | (3) | 3 | (13) |

**FIVE YEARS FINANCIAL SUMMARY - COMPANY
 FOR THE YEAR ENDED 31 DECEMBER 2013**

| | IFRS | | | | | NIGERIAN GAAP 2010 N'000 |
|--|---------------|---------------|---------------|--------------------------|-------------------------------|--------------------------------|
| | 2013 N'000 | 2012 N'000 | 2011 N'000 | 2010 N'000 | | |
| ASSETS | | | | | | |
| Cash and cash equivalents | 568,843 | 969,296 | 2,481,667 | 1,875,083 | Cash and bank balances | 163,087 |
| Financial assets | 1,954,094 | 1,088,655 | 707,876 | 749,479 | Debtors and prepayments | 2,439,398 |
| Trade receivables | - | 593,833 | 997,631 | 952,906 | Goodwill | - |
| Reinsurance assets | 2,605,651 | 1,420,577 | 59,982 | 264,455 | Recapitalisation | - |
| Other receivables | 505,303 | 348,697 | 364,291 | 571,207 | Investment in Subsidiary | 2,000,000 |
| Deferred acquisition cost | 52,155 | 66,523 | 56,610 | 66,428 | Investments | 1,752,752 |
| Investment in Subsidiary | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | Statutory deposit | 300,000 |
| Investment properties | 2,672,825 | 2,461,000 | 862,325 | 781,388 | Fixed assets | 950,547 |
| Intangible asset | - | - | 447,077 | 17,436 | | |
| Property ,plant and equipment | 534,335 | 543,620 | 417,911 | 124370 | | |
| Statutory deposit | 300,000 | 300,000 | 300,000 | 300,000 | | |
| TOTAL ASSETS | 11,193,206 | 9,792,201 | 8,695,370 | 7,702,752 | | 7,605,784 |
| LIABILITIES and EQUITY | | | | | | |
| | | | | LIABILITIES AND RESERVES | | |
| Investment contract liabilities | - | - | - | - | Due to Banks | 8,168 |
| Insurance contract liabilities | 3,778,683 | 2,845,199 | 1,527,145 | 1,790,211 | Creditors and accruals | 371,859 |
| Trade payables | 27,113 | 36,392 | 160,801 | 30,002 | Outstanding claims | 264,397 |
| Cashbook overdrawn | - | - | 109,093 | - | Insurance fund | 533,246 |
| Deferred commission income | 60,657 | 60,008 | - | 120,704 | Deposit Administration | - |
| Other payables | 776,819 | 771,003 | 1,264,687 | 237,844 | Taxation | 323,201 |
| Deferred tax liabilities | 139,934 | 105,235 | 86,312 | 76,091 | Deferred taxation | 57,648 |
| Employee benefit liability | 457,268 | 417,884 | 321,779 | 294,784 | | |
| Taxation | 153,812 | 129,591 | 89,142 | 249,453 | | |
| Total liabilities | 5,394,286 | 4,365,313 | 3,558,959 | 2,799,089 | | 1,558,519 |
| EQUITY | | | | | | |
| | | | | CAPITAL AND RESERVES | | |
| Issued share capital | 3,667,172 | 3,667,172 | 3,667,172 | 3,661,717 | Share capital | 3,661,717 |
| Share premium | 940,612 | 940,612 | 940,612 | 940,612 | Share premium | 940,612 |
| Revaluation reserve | 493,052 | 469,052 | 435,052 | 435,052 | Statutory contingency reserve | 447,471 |
| Fair value reserve | 289,582 | 212,955 | 49,381 | 30,965 | General reserve | 562,414 |
| Contingency reserve | 796,292 | 684,739 | 589,929 | 508,817 | Revaluation reserve | 435,052 |
| General reserve | (387,790) | (547,642) | (545,735) | (673,500) | Equity revaluation reserve | - |
| Total equity | 5,798,920 | 5,426,888 | 5,136,411 | 4,903,663 | | 6,047,265 |
| TOTAL LIABILITIES AND EQUITY | 11,193,206 | 9,792,201 | 8,695,370 | 7,702,752 | TOTAL LIABILITIES AND EQUITY | 7,605,784 |
| STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME | | | | | | |
| Gross premiums written | 3,341,515 | 3,137,220 | 3,160,331 | 2,044,865 | Gross premiums written | 3,302,046 |
| Net insurance premium earned | 2,880,949 | 2,683,282 | 2,602,133 | 1,628,082 | Net premium written | 2,365,520 |
| Net benefits and claims | 1,665,682 | 1,246,956 | 754,965 | 773,648 | | |
| Total underwriting profit | 1,215,267 | 1,436,326 | 1,847,168 | 854,434 | | |
| Realised gain/(loss) on financial assets | 59,778 | 33,913 | 15,622 | - | | |
| Investment and other income | 461,900 | 1,871,838 | 188,611 | 512,899 | | |
| Net income | 1,736,945 | 3,342,077 | 2,051,401 | 1,367,333 | | |
| Other expenses | (1,336,804) | (3,189,802) | (1,609,069) | (1,191,427) | | |
| Profit before taxation | 400,141 | 152,275 | 442,332 | 175,906 | Profit before taxation | 646,094 |
| Taxation | (128,736) | (59,372) | (233,455) | - | Taxation | (117,001) |
| Profit after taxation | 271,405 | 92,903 | 208,877 | 175,906 | Profit after taxation | 529,093 |
| Net fair value gain on available for sale financial assets | 76,627 | 163,574 | 18,416 | - | | |
| Gain on revaluation reserve | 24,000 | 34,000 | - | - | | |
| Total comprehensive income for the year | 372,032 | 290,477 | 227,293 | 175,906 | Earning per share | |
| Earning per share(kobo): | | | | | Actual (kobo) | 6 |
| - Actual | 4 | 1 | 2 | 2 | Adjusted | 6 |
| - Adjusted | 4 | 1 | 2 | 2 | | |

EXECUTIVE MANAGERS AND PRINCIPAL OFFICERS

| NAME | POSITION |
|---------------------|--|
| O.O. LADIPO - AJAYI | GROUP MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER |
| E.B. WRIGHT | EXECUTIVE DIRECTOR |
| A.I.DOSUNMU | MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER (LASACO LIFE ASSURANCE COMPANY LIMITED) |
| A.M. SOFILE | DEPUTY GENERAL MANAGER (FINANCE & ACCOUNTS) |
| S.A. ADEMOYE | DEPUTY GENERAL MANAGER (TECHNICAL) |
| O.L. SAMSON | DEPUTY GENERAL MANAGER (PLANS & PROGRAMMES) |
| A.O. OLONA | ASSISTANT GENERAL MANAGER (BUSINESS SERVICES & RISK MANAGEMENT) |
| O.B WARRI | ASSISTANT GENERAL MANAGER (MANAGEMENT SECRETARIAT) |
| F.T. AJAYI | ASSISTANT GENERAL MANAGER (MARKETING) |
| M.A AKINKUNMI | COMPANY SECRETARY |

SHAREHOLDERS' INFORMATION

The Authorized Share Capital of the Company as at 31st December 2010 was ₦5,000,000,000 divided into 10,000,000,000 Ordinary Shares of 50kobo each. Since incorporation, the Authorized, Issued and Fully Paid Share Capital had changed as below:

| | AUTHORISED | | ISSUED & FULLY PAID | | CONSIDERATION |
|----------|---------------|----------------|---------------------|------------------|-------------------------------------|
| | FROM UNITS | TO UNITS | FROM NAIRA | TO NAIRA | |
| 31.12.79 | - | 500,000 | - | 2000 | CASH |
| 31.12.80 | 500,000 | 500,000 | 2000 | 475,535 | CASH |
| 31.12.81 | 500,000 | 500,000 | 475,535 | 500,000 | CASH |
| 31.12.84 | 500,000 | 2,000,000 | 500,000 | 1,000,000 | SCRIPT (1 FOR 1) |
| 31.12.87 | 2,000,000 | 2,000,000 | 1,000,000 | 2,000,000 | CASH |
| 31.12.89 | 2,000,000 | 10,000,000 | 2,000,000 | 5,000,000 | SCRIPT (3 FOR 3) |
| 31.12.90 | - | - | 5,000,000 | 9,442,000 | CASH |
| 13.12.91 | - | - | 9,442,000 | 10,000,000 | CASH |
| 13.12.92 | 10,000,000 | 25,000,000 | - | - | |
| 31.12.93 | - | - | 10,000,000 | 25,000,000 | RIGHTS |
| 31.12.96 | 25,000,000 | 75,000,000 | 25,000,000 | 30,000,000 | BONUS (1 FOR 5) |
| 31.12.97 | 75,000,000 | 100,000,000 | 30,000,000 | 50,000,000 | BONUS (2 FOR 3) |
| 31.12.98 | 100,000,000 | 100,000,000 | 50,000,000 | 50,000,000 | |
| 31.12.99 | 100,000,000 | 200,000,000 | 50,000,000 | 90,000,000 | BONUS (1 FOR 6) RIGHTS (4 FOR 5) |
| 31.12.00 | 200,000,000 | 200,000,000 | 90,000,000 | 90,000,000 | |
| 31.12.21 | 200,000,000 | 200,000,000 | 90,000,000 | 90,000,000 | |
| 31.12.02 | 200,000,000 | 500,000,000 | 90,000,000 | 105,000,000 | BONUS (1 FOR 6) |
| 31.12.03 | 500,000,000 | 500,000,000 | 105,000,000 | 210,000,000 | BONUS (1 FOR 1) |
| 31.12.04 | 500,000,000 | 500,000,000 | 210,000,000 | 360,065,072.50 | RIGHTS (1 FOR 1) |
| 31.12.05 | 500,000,000 | 1,500,000,000 | 360,065,072.50 | 500,000,000 | BONUS (2 FOR 5) |
| 31.12.06 | 500,000,000 | 5,000,000,000 | 500,000,000 | 604,909,384.50 | BONUS (1 FOR 5) |
| 31-12-07 | 5,000,000,000 | 10,000,000,000 | 604,909,384.50 | 3,661,716,710.50 | RIGHTS/PUBLIC OFFER |

SHAREHOLDERS

According to the Register of Members, Canon Properties Limited, IHL Properties Ltd., LASBULK Nigeria Ltd., IHL Ventures Ltd and Ibile Holdings Limited, held more than 5% of the issued share capital of the company as at 31st December 2011.

ANALYSIS OF SHAREHOLDERS AS AT 31ST DECEMBER 2012

The Issued and fully paid up share capital of the company was ₦3,661,716,710.50 Divided into 7,323, 433,421 ordinary shares 50kobo each.

| SHARES FROM | SHARES TO | COUNT | TOTAL NUMBER OF SHARES | % OF TOTAL |
|-------------|---------------|--------|------------------------|------------|
| 1 | 1,000 | 2,703 | 1,992,069 | 0.03 |
| 1,001 | 10,000 | 19,729 | 112,697,942 | 1.55 |
| 10,001 | 50,000 | 16,265 | 421,978,399 | 5.76 |
| 50,001 | 100,000 | 4,488 | 362,451,084 | 4.95 |
| 100,001 | 500,000 | 3,587 | 801,390,198 | 10.94 |
| 500,001 | 1,000,000 | 468 | 371,524,901 | 5.07 |
| 1,000,001 | 5,000,000 | 390 | 828,337,320 | 11.31 |
| 5,000,001 | 10,000,000 | 46 | 344,340,542 | 4.70 |
| 10,000,001 | 50,000,000 | 36 | 924,911,680 | 12.63 |
| 100,000,001 | 1,000,000,000 | 7 | 3,153,809,286 | 43.06 |
| TOTAL | | 47,719 | 7,323,433,421 | 100.00 |

SHAREHOLDERS' INFORMATION

DIVIDEND HISTORY

Dividends declared and paid for the past (10) Ten years are as follows:

| YEAR ENDED | TOTAL AMOUNT | DIVIDEND PER SHARE | % OF PROFIT AFTER TAX |
|------------|--------------|--------------------|-----------------------|
| 31.12.98 | 6,246,000 | 5K | 27 |
| 31.12.99 | 12,600,000 | 7K | 49 |
| 31.12.00 | 22,500,000 | 12.5K | 36 |
| 31.12.01 | 22,500,000 | 12.5K | 33 |
| 31.12.02 | 10,500,000 | 5K | 14 |
| 31.12.03 | 35,957,000 | 5K | 33 |
| 31.12.07 | 586,985,058 | 0.08K | 86 |
| 31.12.08 | 216,103,002 | 0.03K | 47 |

UNCLAIMED DIVIDENDS

| PAYMENT NUMBER | MONTHS DECLARE |
|----------------|-----------------|
| 13 | DECEMBER, 1998 |
| 14 | DECEMBER, 1999 |
| 15 | OCTOBER, 2000 |
| 16 | JUNE, 2001 |
| 17 | SEPTEMBER, 2002 |
| 18 | OCTOBER, 2003 |
| 19 | SEPTEMBER, 2004 |
| 20 | SEPTEMBER 2007 |
| 21 | OCTOBER 2008 |

Pursuant to Section 382(1) of the Companies and Allied Matters Act, a list of names of the persons entitled to these dividends is being sent with this Annual Reports and Accounts.

If you are affected by this statement, please write or call at the following address between the hours of 9.00 a.m. – 2.00 p.m. Monday to Friday.

THE REGISTRAR
 MAINSTREET REGISTRARS LIMITED
 2A GBAGADA EXPRESS ROAD
 ANTHONY VILLAGE, LAGOS
 P. M. B. 12974
 LAGOS.
 TEL: 01-2799133-4, 7735963, 7735967
 FAX: 01-2799132
 WEBSITE: www.afribankregistrars.com
 EMAIL: info@afribankregistrars.com
customercare@afribankregistrars.com

SHAREHOLDERS' INFORMATION

| | | | |
|---|---|------------|----------------|
| I/We*..... Being a member(s) of LASACO ASSURANCE PLC hereby appoint ** or failing him/her, Eng. Ashim Oyekan or failing him, Mr. O. C. Ladipo-Ajayi as my/our Proxy to vote for me/us at the General Meeting of the Company to be held on 6 th of February 2014 at 10.00 a.m. and at any adjournment thereof. Unless otherwise instructed, the proxy will vote or abstain from voting as he/she thinks fit Dated this Day of 2014 Signature:..... NOTE * In the case of joint shareholders, anyone of such may complete the card, but the names of all joint holders must be stated. To be effective, this proxy form should be duly completed and stamped by the Commissioner for Stamp Duties in accordance with the Stamp Duties Act before posting it to reach the address below not later than 48 hours before the time for holding the meeting. | NUMBER OF SHARES HELD: | | |
| | Resolutions | For | Against |
| | To lay before the Meeting the Audited Financial Statement of the Company and of the Group for the year ended 31 st December 2012 and Reports of the Directors, Independent Auditors and Audit Committee | | |
| | To re-elect the following Directors who in accordance with Articles 91 and 93 of the Company's Articles of Association, retire by rotation, but are eligible and offer themselves for re-election: Eng. Ashim Oyekan Dr. Olusegun Abraham | | |
| | To authorize the Directors of the Company to fix the remuneration of the Auditors. | | |
| | To elect members of the Audit Committee | | |
| | To approve the remuneration of the Directors | | |
| To approve the appointment of the external Auditor (Agenda No. 10) | | | |

BEFORE POSTING THE ABOVE FORM, PLEASE CUT OFF THIS PART AND RETAIN IT.

LASACO ASSURANCE PLC
PLOT 16, ACME ROAD, OGBA, LAGOS, P. O. BOX 3724, MARINA, LAGOS

ADMISSION FORM

Name of Shareholder

*.....

If you are unable to attend the Meeting, please note that:

A member (Shareholder) who is unable to attend the Company's General Meeting is allowed by Law to vote on a poll by proxy. The representative of the Corporation, which is a member, may also vote on a show of hands. The above proxy form has been prepared to enable you to exercise your right to vote, in case you cannot personally attend the above Annual General Meeting.

Following the normal practice, the names of the two directors of the Company have been entered on the form to ensure that someone will be at the Meeting to act as your proxy, but if you wish, you may insert in the blank space on the form (marked **) the name of any person, whether a member of the Company or not, who will attend and vote on your behalf instead of one of the directors.

Please sign the above proxy form, have it stamped by the Commissioner for Stamp Duties and then post it so as to reach the address on the reverse side of the proxy not later than 48 hours before the time for holding the Meeting.



HEAD OFFICE:

Plot 16, ACME Road, Ogba - Ikeja
P.O. Box 3724, Lagos.
01-8428786
E-mail: info@lasacoassurance.com

It is our pleasure to inform you that you can henceforth, collect your dividend through **DIRECT CREDIT** into your Bank Account. Consequently, we hereby request you to provide the following information to enable us process direct payment of your dividend (when declared) into your bank account.

Date (DD/MM/YYYY)

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

Surname/Company's Name

[illegible]

| OtherNames (for Individual Shareholder) |
|---|
| |

[illegible]

Present Postal Address

[illegible]

City

| | | | | | | | | |
|--|--|--|--|--|--|--|--|--|
| | | | | | | | | |
|--|--|--|--|--|--|--|--|--|

State

[illegible][illegible]

Mobile (GSM) Phone Number

[illegible]

Bank Name

[illegible]

Branch Address

[illegible]

| | | | | |
|---------------------|--|--|--|--|
| | | | | |
| Bank Account Number | | | | |

[illegible]

Bank Sort Code

| | | | | | | | | |
|--|--|--|--|--|--|--|--|--|
| | | | | | | | | |
|--|--|--|--|--|--|--|--|--|

Please forward until further notice all future interest or dividends to which I/We become entitled for the company detailed in Item to the branch of the bank detailed in items 3-3.1.

Shareholder's Signature Or Thumbprint

Shareholder's Signature Or Thumbprint

Shareholder's Signature Or Thumbprint

Shareholder's Signature Or Thumbprint

[illegible]

Company Seal/ incorporation Number (Corporate Shareholder)

This form must be signed by ALL the registered holders, executor(s) or administrator.

When completed on behalf of corporate body, each signatory should state the representative capacity e.g Company Secretary, Director etc.

AUTHORISED SIGNATURE AND STAMP OF BANKERS

AUTHORISED SIGNATURE AND STAMP OF BANKERS

The branch stamp and signature of an authorised signatory of your bank is required to confirm that the signature(s) to the signature(s) in box 4 is that of the shareholder(s) an authorised signatory, before returning to the Registrars.

